ANNUAL REPORT **2012**

GREAT CHINA

GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 141

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Rustom Ming Yu HO *(Chairman)*
Mr. John Ming Tak HO *(Managing Director)*
Mr. Patrick Kwok Wai POON
Mr. Maung Tun MYINT

Non-executive Director

Ms. Yu Gia HO

Independent Non-executive Directors

Mr. Lawrence Kam Kee YU *BBS MBE JP*
Mr. David Hon To YU
Mr. Hsu Chou WU

Company Secretary

Mr. Chi Chung SHUM

Auditor

BDO Limited
Certified Public Accountants

Share Registrar

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office

Unit D, 26/F, United Centre
No. 95 Queensway
Hong Kong

Audit Committee

Mr. David Hon To YU *(Chairman)*
Mr. Lawrence Kam Kee YU *BBS MBE JP*
Mr. Hsu Chou WU

Nomination Committee

Mr. Lawrence Kam Kee YU *BBS MBE JP (Chairman)*
Mr. John Ming Tak HO
Mr. Rustom Ming Yu HO
Mr. David Hon To YU
Mr. Hsu Chou WU

Remuneration Committee

Mr. Lawrence Kam Kee YU *BBS MBE JP (Chairman)*
Mr. John Ming Tak HO
Mr. David Hon To YU

Stock Code

141 (Main Board of The Stock Exchange of Hong Kong Limited)

Website

www.greatchinaholdingsltd.com.hk

Contact

Unit D, 26/F, United Centre
No. 95 Queensway
Hong Kong
Telephone: (852) 2861 0021
Facsimile: (852) 2859 9100
Email: info@gcltd.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Great China Holdings Limited will be held at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on 21 May 2013 at 9:00 am. A circular containing details of the matters proposed to be dealt with in the aforesaid Annual General Meeting together with other relevant information is sent with this Annual Report to all registered shareholders of the Company.

By order of the Board

Chi Chung SHUM
Company Secretary

Hong Kong, 25 March 2013

Statement from the Managing Director

Statement from the Managing Director

I am pleased to present, on behalf of the board of directors (the "Board"), the annual report of Great China Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012.

Results

The Group recorded total revenue of HK$1,692 million, which was 6% lower than that of the previous financial year. Profit attributable to shareholders rose by 350% to HK$288 million.

The Group disposed of the associated companies in July 2012, and recorded a share of fair value gain on the investment properties held by an associated company of about HK$107 million up to the date of disposal and a disposal gain of about HK$96 million. In addition, as a result of the improved performance of the fishmeal products trading business and continuing appreciation of fair value of investment properties, the Group recorded a remarkable profit in 2012.

Business Review

General Trading

During 2012, fishing quota in Peru was tightened and caused a decrease in global supply of fishmeal products and consequently our trading volume was affected. Sales revenue amounting to HK$1,655 million was recorded which dropped by 6% compared with that of last year. On the other hand, decrease in supply helped boost up the price in response to growing demand in the aquatic products. Profitability in fishmeal products was enhanced benefitting from the lower purchase price of inventory acquired in early 2012 and achieved a profit of HK$59 million (2011: loss of HK$17 million).

Property Investment in Hong Kong

Property investment continued to contribute stable cash inflow while enjoying asset appreciation in 2012.

The rental income derived from Hong Kong property investment recorded a steady growth during the year, rising from HK$14 million in 2011 to HK$15 million in 2012.

Prominently located in prime areas, our commercial properties benefit from their locations which attract both tourists and local customers.

Property Investment in Mainland China

In 2012, growth of rental income from investment properties located in Mainland China was moderate. The rental income generated was HK$21 million (2011: HK$20 million).

The Group successfully disposed of the interest in associated companies, which have generated a significant contribution of HK$203 million to the Group's profit for the year ended 31 December 2012. Included in the HK$203 million, approximately HK$107 million represented the Group's share of the profit of the associates from 1 January 2012 up to the date of disposal and the remaining HK$96 million represented gain on disposal of associates. The disposal enabled the Group to realize a substantial value and to provide more resources for other investment opportunities.

Prospects

General Trading

The change in global climate has affected the fishing industry. In late October 2012, the government of Peru announced a fishing quota which was less than half of the fishing quota in previous year. It is expected that a tight supply of fishmeal and the price will remain firm. We expect our sales revenue of fishmeal products in the first half of 2013 will be hampered. 2013 is a challenging year for our business.

In order to explore other business opportunities, the Group is seeking to participate in the trading of other soft commodities, such as corn and wheat.

Property Investment

Despite a steady growth in rental income in 2012, the Group is cautious about the property investment in Hong Kong because the growth of retail appears to be slowing down lately. This would put pressure on rental income for commercial properties in 2013.

With the disposal proceeds of associated companies received, we are actively looking for appropriate investment projects to derive a better return for our shareholders.

Dividend

We are glad to share our successful results with shareholders, the Board recommends the payment of a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2012 (2011: HK$0.01 per ordinary share). To reward the continuing support of our shareholders, our goal for the future years is to maintain a high level of dividend.

Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

John Ming Tak HO
Managing Director

Hong Kong, 25 March 2013

Management Discussion and Analysis

Business Review

The details of business review are set out in the Statement from the Managing Director.

Financial Review and Analysis

Overall Results

The Group's revenue decreased from HK$1,803 million for the year ended 31 December 2011 ("FY2011") to HK$1,692 million for the year ended 31 December 2012 ("FY2012") by around HK$111 million, representing a decrease of 6%. The decrease was mainly caused by the decline in revenue of fishmeal products trading segment due to limited supply of fishmeal products. On the other hand, the price of fishmeal products was boosted by limited supply while the major part of the cost was locked at low level in the first half of the year, resulting in improvement in the overall profitability of the Group in 2012. The Group's net profit attributable to the owners of the Company for FY2012 amounted to HK$288 million (FY2011: HK$64 million as restated), an increase of around 350% over FY2011.

Due to disposal of associated companies, the Group recorded a disposal gain of HK$96 million. Apart from this gain, the Group also shared a profit of associates of HK$107 million which mainly represented the share of fair value gain on the investment properties held by the associates.

Liquidity and Financial Resources

As at 31 December 2012, the Group's gearing ratio was 11% (2011: 16%), based on the Group's long term bank borrowings of HK$158 million (2011: HK$180 million) and shareholders' equity of HK$1,417 million (2011: HK$1,148 million). The Group's current ratio was 1.84 (2011: 1.11), calculated on the basis of current assets of HK$1,306 million (2011: HK$1,698 million) over current liabilities of HK$710 million (2011: HK$1,528 million).

As at 31 December 2012, total restricted bank deposits, pledged bank deposits, structured bank deposits, bank balances and cash on hand were HK$819 million (2011: HK$999 million). Total bank borrowings of the Group amounted to HK$438 million (2011: HK$1,138 million), of which approximately HK$258 million (2011: HK$846 million) were secured with bank deposits of HK$260 million (2011: HK$865 million). The maturity profile of the Group's total bank borrowings falling due within one year was 64% (2011: 78%) and more than one year was 36% (2011: 22%). Total bank borrowings included secured bank loans of HK$250 million (2011: HK$651 million) and liabilities associated with bills receivables discounted with full recourse of HK$188 million (2011: HK$487 million). The Group's borrowings were denominated in United States dollars, Hong Kong dollars and Renminbi.

Charges on Assets

As at 31 December 2012, the Group has available but not yet utilized banking facilities amounting to around HK$1,838 million (2011: HK$1,890 million). The Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the aforesaid facilities:

- Investment properties of HK$799 million (2011: HK$932 million);
- Leasehold land and buildings of HK$42 million (2011: HK$43 million);
- Properties held for sale of Nil (2011: HK$15 million);
- Pledged bank deposits of HK$92 million (2011: HK$616 million);
- Structured bank deposits of HK$188 million (2011: HK$250 million); and
- Bills receivables of HK$188 million (2011: HK$493 million).

Foreign Exchange Exposure

Transactions of the Group are predominantly denominated in United States dollars, Hong Kong dollars and Renminbi. Review of the Group's exposure to foreign exchange risks is conducted periodically and derivative financial instruments may be used to hedge against foreign exchange risks as and when necessary.

Employee and Remuneration Policies

As at 31 December 2012, the total number of employees of the Group was 84 (2011: 86) with staff costs, excluding directors' remuneration, amounting to HK$13,374,000 (2011: HK$9,755,000). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account comparable levels in the market.

Biographical Details of Directors

Mr. Rustom Ming Yu HO, aged 61, is the Chairman and an executive director of the Company. He is also a member of the Nomination Committee and a director of various subsidiaries of the Company. Mr. Rustom HO joined the Group in January 1992. He has held senior management positions in the textiles industry for over 35 years. In addition, Mr. Rustom HO is the chairman of Kwong Fong Industries Corporation (a company listed on Taiwan Stock Exchange Corporation, stock code: 1416) and a director of Fulcrest Limited (both companies are/are deemed to be the controlling shareholders of the Company) and is the elder brother of Mr. John Ming Tak HO (executive director of the Company) and the father of Ms. Yu Gia HO (non-executive director of the Company).

Mr. John Ming Tak HO, aged 59, is the Managing Director and an executive director of the Company. He is a member of the Remuneration Committee and the Nomination Committee and a director of various subsidiaries of the Company. Mr. John HO joined the Group in November 1991. He has over 35 years of experience in commodities trading and dealing in securities. Mr. John HO is a director of Fulcrest Limited and Asian Pacific Investment Corporation (both companies are/are deemed to be the controlling shareholders of the Company). In addition, he is the younger brother of Mr. Rustom Ming Yu HO (executive director of the Company) and the uncle of Ms. Yu Gia HO (non-executive director of the Company).

Mr. Patrick Kwok Wai POON, aged 62, has been an executive director of the Company since 20 April 2006. Mr. POON joined the Group in 1997 and has since then been working at a senior level of the Group's management team. He is also a director of certain subsidiaries of the Company. In addition, he is a director of Fulcrest Limited, a controlling shareholder of the Company. Mr. POON has extensive experience in the commodity market and in the banking business and holds a practising licence in property management in the People's Republic of China. He has been overseeing the Group's Shanghai office and monitoring the Group's property business in the People's Republic of China for over 15 years.

Mr. Maung Tun MYINT (also known as Nelson CHENG), aged 47, has been an executive director of the Company since 1 April 2009. He is also a director of various subsidiaries of the Company. In addition, Mr. MYINT is a chief executive officer of the Company's major subsidiaries, such as G.C. Luckmate Trading Limited and G.C. Luckmate Trading (Asia) Limited which are engaged in fishmeal trading business. Mr. MYINT joined the Group in 2000 and has over 18 years of experience in commodities trading. He holds a Bachelor of Engineering degree in Electronics from San José State University in the United States of America and a Master degree in Computer Science from Asian Institute of Technology in Thailand.

Ms. Yu Gia HO, aged 41, has been a non-executive director of the Company since 1 April 2008. She holds a Bachelor of Science degree in Marketing and Advertising from Boston College and a Master of Business Administration degree in Managing Technology and Innovation from Santa Clara University. With extensive experience in strategic marketing and business strategy formulation, she currently assists a number of start-ups and small businesses as a private consultant. In the past, Ms. HO has served as key business development roles at several publicly listed companies and was an International Marketing Manager of Kwong Fong Industries Corporation, a controlling shareholder of the Company. In addition, Ms. HO is a daughter of Mr. Rustom Ming Yu HO (executive director of the Company) and a niece of Mr. John Ming Tak HO (executive director of the Company).

Mr. Lawrence Kam Kee YU, *BBS, MBE, JP*, aged 67, has been an independent non-executive director of the Company since November 1994. He is also the chairman of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee of the Company. Mr. Lawrence YU underwent training at Bayer AG and Cassella AG in Germany and has accumulated many years of senior management experience. Mr. Lawrence YU is the honorary life president of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organisations, and is currently the co-chairman of the Campaign Committee of The Community Chest of Hong Kong, the honorary vice president of the Hong Kong Football Association Limited, the president of Hong Kong Automobile Association and the chairman of Hong Kong Liver Foundation.

Mr. David Hon To YU, aged 65, has been an independent non-executive director of the Company since 7 January 1999. He is also the chairman of the Audit Committee and a member of both the Nomination Committee and the Remuneration Committee of the Company. Mr. David YU is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr. David YU is the vice-chairman of MCL Partners Limited, a Hong Kong based financial advisory and investment firm. Currently, he is also an independent non-executive director of TeleEye Holdings Limited (a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, stock code: 8051) as well as the following companies listed on the Main Board of The Stock Exchange of Hong Kong Limited: China Datang Corporation Renewable Power Co., Limited (stock code: 1798), Haier Electronics Group Co., Ltd. (stock code: 1169), China Renewable Energy Investment Limited (stock code: 987), Media Chinese International Limited (stock code: 685; which is also listed in Malaysia, Malaysia stock code: 5090), One Media Group Limited (stock code: 426), Playmates Holdings Limited (stock code: 635), Sateri Holdings Limited (stock code: 1768), Synergis Holdings Limited (stock code: 2340), VXL Capital Limited (stock code: 727) and China Resources Gas Group Limited (appointed on 28 December 2012, stock code: 1193).

Mr. Hsu Chou WU, aged 58, has been an independent non-executive director of the Company since September 2004. He is also a member of both the Audit Committee and the Nomination Committee of the Company. Mr. WU is a member of the Taipei Bar Association. He is currently the chairman of the Eurasia Law Office in Taipei. He is also a medical ethics and medical law lecturer in National Defense Medical Center, a committee member of the Medical Ethics Committee in Tri-Service General Hospital, a former committee member of the Law and Regulation Commission of the Ministry of the Interior in Taiwan, a legal consultant of the National Police Agency of the Ministry of the Interior in Taiwan and a consultant of the Civil Service Protection and Training Commission in Taiwan. Mr. WU is the author of the books "Far Away From Medical Dispute" and "Handbook to Terminate Medical Dispute" (to be published).

Corporate Governance Report

The Board and Management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest of shareholders and the Company as a whole.

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices ("Code on CG Practices") during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code ("New Code on CG Practices") during the period from 1 April to 31 December 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviation from the code provision A.6.7 of the New Code on CG Practices: Two of the independent non-executive directors and the non-executive director of the Company were unable to attend the extraordinary general meeting of the Company held on 27 August 2012 due to their other business engagements.

Key corporate governance principles and practices of the Company are summarized below.

Directors' and Employees' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Confirmation has been sought from all directors of the Company that they have complied with required standards set out in the Model Code throughout the year ended 31 December 2012. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incident of non-compliance of such guidelines by relevant employees was noted by the Company during the year under review.

Directors

The Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Every director is charged with acting in the best interest of the Group and contributing to the Group with their expertise and knowledge. The Board decides on overall Group strategies and monitors the Group's performance on behalf of the shareholders. During the year ended 31 December 2012, the Board held six meetings including four regular meetings. Besides, the Company held two shareholders' meetings in 2012. The attendance records of each director at the aforesaid Board meetings and shareholders' meetings are set out as follows:

	Attendance/Number of meetings		
Name of director	**Board meeting**	**Annual general meeting**	**Extraordinary general meeting**
Mr. Rustom Ming Yu HO	6/6	1/1	0/1
Mr. John Ming Tak HO	6/6	1/1	1/1
Mr. Patrick Kwok Wai POON	6/6	1/1	1/1
Mr. Maung Tun MYINT	5/6	1/1	1/1
Mr. Lawrence Kam Kee YU	5/6	1/1	0/1
Mr. David Hon To YU	6/6	1/1	1/1
Mr. Hsu Chou WU	6/6	1/1	0/1
Ms. Yu Gia HO	6/6	1/1	0/1

To provide an opportunity to directors to include matters for discussion in the agenda, at least 14 days' notice of a Board meeting is given to all directors. Every director is entitled to have access to the advice and services of the company secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed. All minutes are kept by the company secretary and are open for inspection by directors with reasonably advance notice. Minutes of Board meetings and meetings of Board Committees record in sufficient detail of the matters considered by the Board/Board Committees and decisions reached. Draft and final versions of minutes of Board/Board Committee meetings are sent to directors/Board Committee members for their comments and records respectively within a reasonable time after the meetings are held.

Directors have been advised that the company secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any director. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board Committee will be set up to deal with the matter.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications of the Company.

According to the current Board practice, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such director or any of his/her associates have a material interest.

The senior management of the Company are the directors of the Company. Details of their remuneration for the year ended 31 December 2012 are set out in note 10 to the financial statements.

Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are currently held by separate individuals, with Mr. Rustom Ming Yu HO being the Chairman and Mr. John Ming Tak HO being the Managing Director. The Chairman is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Managing Director is responsible for effective implementation of the overall strategies and initiatives adopted by the Board. With the support of the Managing Director and the company secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information on a timely basis.

Board composition

As at 31 December 2012, the Board consists of four executive directors, three independent non-executive directors and one non-executive director:

Executive directors:
Mr. Rustom Ming Yu HO *(Chairman)*
Mr. John Ming Tak HO *(Managing Director)*
Mr. Patrick Kwok Wai POON
Mr. Maung Tun MYINT

Independent non-executive directors:
Mr. Lawrence Kam Kee YU
Mr. David Hon To YU
Mr. Hsu Chou WU

Non-executive director:
Ms. Yu Gia HO

The Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate accounting and related financial management expertise. The relationship among members of the Board, if any, is disclosed in "Biographical Details of Directors" of this annual report.

Appointment and Re-election

All directors (including the non-executive director and independent non-executive directors) are appointed for a specific term of 3 years, subject to renewal upon expiry of the term.

In accordance with the Articles of Association, at each annual general meeting of the Company (the "AGM") one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest but not less than one-third) shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. The retiring directors shall be eligible for re-election by the shareholders at the relevant AGM.

The composition of the Board is reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The directors' profile is set out on pages 8 to 9.

Responsibilities of Directors

The directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all directors are kept abreast of the conduct, business activities and development of the Company. Each independent non-executive director attended all regularly scheduled meetings of the Board and Committees on which such independent non-executive director sat in, and reviewed the meeting materials distributed in advance for such meetings. All directors attended the AGM in 2012 and answered questions raised by the shareholders.

Supply of and Access to Information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting. The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Company's management to acquire more information than is volunteered by management and to make further enquiries if necessary.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the directors and senior executives to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the current directors received the following training during the year ended 31 December 2012, with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the New Code on CG Practices on directors' continuous professional development:

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/ Financial/Management or Other Professional Skills	
Directors	**Read Materials**	**Attended Seminars/ Briefings**	**Read Materials**	**Attended Seminars/ Briefings**
Executive directors				
Mr. Rustom Ming Yu HO *(Chairman)*	√	√	√	
Mr. John Ming Tak HO *(Managing Director)*	√		√	
Mr. Patrick Kwok Wai POON	√	√	√	
Mr. Maung Tun MYINT	√	√	√	
Non-executive Director				
Ms. Yu Gia HO	√	√	√	
Independent Non-executive Directors				
Mr. Lawrence Kam Kee YU *BBS MBE JP*	√		√	
Mr. David Hon To YU	√	√	√	√
Mr. Hsu Chou WU	√	√	√	

Corporate Governance Functions

During the year under review, the Board as a whole has performed the following corporate governance duties including:

(a) developed and reviewed the Company's policies and practices on corporate governance;

(b) reviewed and monitored the training and continuous professional development of directors and senior executives;

(c) reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;

(d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report; and

(f) performed such other corporate governance duties and functions set out in Appendix 14 to the Listing Rules (as amended from time to time) for which the Board is responsible.

Nomination Committee

A Nomination Committee was established by the Company in 2005. The Committee is chaired by Mr. Lawrence Kam Kee YU and Mr. Rustom Ming Yu HO, Mr. John Ming Tak HO, Mr. David Hon To YU and Mr. Hsu Chou WU are other members of the Committee. The major responsibilities of the Nomination Committee include reviewing and approving all new appointments of directors and senior executives of the Group, and monitoring the overall adequacy of the Board's composition. The terms of reference setting out in the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, integrity, experience, skills, professional knowledge and the amount of time and effort that a candidate will devote to carry his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee holds a meeting annually to review the current directors and senior executives structure, and to monitor the overall adequacy of the Board's composition. Having considered the qualifications, expertise and experience of the directors, their commitment to the Company's affairs as well as the Company's present needs, the Committee is of the view that no change in the Board composition is required at present. The attendance of each member at the Nomination Committee meeting held in 2012 is set out as follows:

Name of member	**Number of attendance**
Mr. Lawrence Kam Kee YU *(Chairman)*	1/1
Mr. Rustom Ming Yu HO	1/1
Mr. John Ming Tak HO	1/1
Mr. David Hon To YU	1/1
Mr. Hsu Chou WU	1/1

Remuneration Committee

A Remuneration Committee was established by the Company in 2005. The Committee is chaired by Mr. Lawrence Kam Kee YU and Mr. John Ming Tak HO and Mr. David Hon To YU are other members of the Committee. The majority members of Committee are independent non-executive directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior executives (i.e. the model described in the code provision B.1.2(c)(ii) is adopted). The directors' emoluments are determined, among other things, by reference to their duties and responsibilities with the Company, their experience for the industry, prevailing market conditions and the Company's performance. During the year ended 31 December 2012, the Remuneration Committee held three meetings, with all Committee members present in the meetings and reviewed the remuneration of directors.

On 29 March 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the New Code on CG Practices requirements effective from 1 April 2012. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval. The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 31 December 2012, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the financial statements on a going concern basis. The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report" of this annual report.

Internal Controls

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

In the opinion of the directors, the size of Group does not warrant setting up an internal audit department. However, during the year, the Board with the assistance of external professional firm, Li, Tang, Chen & Co, has conducted a review on the effectiveness of management supervision, compliance of the Code on CG Practices/New Code on CG Practices, and major areas of the internal control systems and procedures to assure the Board that the system of internal control is functioning as intended for the year ended 31 December 2012. The results of the internal control review were submitted to the Board for their consideration. The Board has not identified any critical internal control weaknesses.

Audit Committee

The Audit Committee comprises three independent non-executive directors. The Committee is chaired by Mr. David Hon To YU who possesses recognized professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, to review and monitor the external auditor's independence and objectivity, and to review the adequacy of resources, qualification and experience of staff of the accounting and financial reporting function and their training programmes, and the effectiveness of the audit process in accordance with applicable standard. During the year ended 31 December 2012, the Audit Committee held two meetings with attendance records as follows:

Name of member	Number of attendance
Mr. David Hon To YU *(Chairman)*	2/2
Mr. Lawrence Kam Kee YU	2/2
Mr. Hsu Chou WU	1/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 31 December 2011 and the interim accounts for the six months ended 30 June 2012, respectively with senior executives and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, Listing Rules and statutory compliance, and financial reporting matters including the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting and financial reporting function.

On 29 March 2012, the Board adopted a set of the revised terms of reference of the Audit Committee, which has included changes in line with the New Code on CG Practices requirements effective from 1 April 2012. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

Remuneration to the External Auditor of the Company

The remuneration payable by the Company to its auditor, BDO Limited, during the year amounted to HK$850,000, the whole of which was incurred exclusively for the audit services, and HK$225,000 for professional services for the Company's very substantial disposal in relation to the disposal of 43% of the issued share capital of Samstrong International Limited and assignment of loan.

Delegation by the Board

Management Functions

Executive directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior executives, the Managing Director is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Board Committees

Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these Committees has specific written terms of reference which deal clearly with their authorities and duties.

Company Secretary

The company secretary of the Company is Mr. Shum Chi Chung, an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Shum is also the financial controller of the Company. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. He has taken not less than 15 hours of relevant professional training in 2012.

Communication with Shareholders

Shareholders' Communication Policy

On 28 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the AGM. The sections under "Statement from the Managing Director" and "Management Discussion and Analysis" of the annual report facilitate the shareholders' understanding of the Company's activities. The AGM provides a sound channel for shareholders to meet and communicate with the directors. The poll results of the AGM are published on the Stock Exchange's website and the Company's website. The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations. To further promote effective communication, the corporate website is maintained to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association and the Companies Ordinance, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's registered office, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the directors as were in default.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, it shall be the duty of the Company, on the requisition in writing of member(s) holding at the date of requisition not less than one-fortieth of the total voting rights or of not less than 50 members holding shares in the Company on which there have been paid up an average sum, per member, of not less than HK$2,000, and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members of the Company entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition, signed by the requisitionists (or 2 or more copies which between them contain the signatures of all the requisitionists) should be deposited at the Company's registered office (in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting). In addition, there should be deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a director of the Company, please refer to the procedures made available under the "Corporate Governance" section of the Company's' website at www.greatchinaholdingsltd.com.hk.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact detail is set out in the "Contact" section of the Company's website at www.greatchinaholdingsltd.com.hk.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Directors' Report

The directors have pleasure in presenting to shareholders their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2012.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in trading of animal feed, property investment and trading of properties. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 27.

The directors recommend the payment of a final dividend of HK$0.10 per share, amounting to HK$26,168,491 for the year to the shareholders of the Company whose names appear on the Register of Members of the Company on 31 May 2013. Subject to the approval of the Company's shareholders at the forthcoming AGM to be held on 21 May 2013, the said proposed final dividend is expected to be paid on 10 June 2013.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 31.

Movements in the reserves of the Company during the year are set out in note 32 to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 17 to the financial statements.

Principal Properties

Details of the principal properties of the Group at 31 December 2012 are set out on pages 118 and 119.

Subsidiaries and Associates

Details of the Company's subsidiaries and associates at 31 December 2012 are set out in notes 19 and 20 to the financial statements respectively.

Share Capital

Details of the share capital of the Company during the year are set out in note 31 to the financial statements.

Distributable Reserves of the Company

At 31 December 2012, the Company's reserves available for distribution, calculated under Section 79B of the Hong Kong Companies Ordinance, consisted of retained profits of approximately HK$477 million (2011: HK$136 million).

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

Directors

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

Executive Directors
Mr. Rustom Ming Yu HO *(Chairman)*
Mr. John Ming Tak HO *(Managing Director)*
Mr. Patrick Kwok Wai POON
Mr. Maung Tun MYINT

Non-executive Director
Ms. Yu Gia HO

Independent Non-executive Directors
Mr. Lawrence Kam Kee YU
Mr. David Hon To YU
Mr. Hsu Chou WU

In accordance with Article 104(A) of the Articles of Association, Mr. Patrick Kwok Wai POON, Mr. Maung Tun MYINT and Mr. Lawrence Kam Kee YU will retire as directors of the Company by rotation at the forthcoming AGM. All of the above three retiring directors, being eligible, will offer themselves for re-election at the meeting.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent.

Directors' Service Contracts

Each of the directors is required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the directors remunerations for the year 2012 are set out in note 10 to the financial statements.

Save as disclosed above, no director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its holding companies, or its subsidiaries was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangements to Purchase Shares or Debentures

Save as the share option scheme as disclosed in note 31 to the financial statements, at no time during the year was the Company or any of its holding companies, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

At 31 December 2012, the interests of directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Long position in the shares of the Company

	Number of shares interested			
Name of director	**Family interests**	**Corporate interests**	**Total interests**	**Percentage* of the issued share capital of the Company**
Mr. Rustom Ming Yu HO	—	138,347,288 *(Note)*	138,347,288	52.87%
Mr. John Ming Tak HO	1,076,000	138,347,288 *(Note)*	139,423,288	53.28%

Note: By virtue of the SFO, both Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO were deemed to have interests in the 138,347,288 shares of the Company held by Fulcrest Limited, a company in which Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO have controlling interests. Interests in the same shares are also shown under the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company" below.

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

Save as disclosed above, as at 31 December 2012, none of the directors or the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

None of the directors nor chief executives (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the year ended 31 December 2012.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 31 December 2012, the following companies had interests in more than 5% of the Company's issued share capital:

Long position in the shares of the Company

Name of substantial shareholder	Number of shares interested: Direct interests	Number of shares interested: Deemed interests	Number of shares interested: Total interests	Percentage* of the issued share capital of the Company
Fulcrest Limited	138,347,288	—	138,347,288	52.87%
Asian Pacific Investment Corporation	—	138,347,288 *(Note)*	138,347,288	52.87%
Kwong Fong Holdings Limited	710,000	138,347,288 *(Note)*	139,057,288	53.14%
Kwong Fong Industries Corporation	8,680,000	139,057,288 *(Note)*	147,737,288	56.46%
COFCO (Hong Kong) Limited	45,058,000	—	45,058,000	17.22%

Note: *The share capital of Fulcrest Limited was owned as to 51% by Asian Pacific Investment Corporation and as to 49% by Kwong Fong Holdings Limited. Kwong Fong Holdings Limited was a wholly owned subsidiary of Kwong Fong Industries Corporation. Accordingly, Asian Pacific Investment Corporation and Kwong Fong Holdings Limited were deemed to be interested in the 138,347,288 shares of the Company held by Fulcrest Limited; and Kwong Fong Industries Corporation was deemed to be interested in the 139,057,288 shares of the Company in which Kwong Fong Holdings Limited had an interest.*

* *The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2012.*

Save as disclosed above, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above) who, as at 31 December 2012, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

Management Contracts

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

Major Customers and Suppliers

The Group's five largest trading operation customers accounted for approximately 30.05% (2011: 32.77%) of the Group's turnover for its trading operation for the year. Approximately 7.61% (2011: 8.54%) of the Group's turnover for its trading operation was attributable to the largest customer.

Approximately 71.29% (2011: 57.95%) of the Group's purchases for its trading operation were attributable to the five largest trading operation suppliers with the largest supplier accounted for approximately 23.69% (2011: 18.69%) of the purchases. Due to the nature of the Group's other operations, information on the Group's customers and suppliers for the Group's other operations are not provided as it is considered to be of limited value.

As at 31 December 2012, COFCO (Hong Kong) Limited ("COFCO Hong Kong"), a shareholder holding more than 5% of the Company's issued share capital, had a beneficial interest in one of the Group's five largest customers. All transactions between the Group and the customer concerned were carried out on normal commercial terms.

Corporate Governance

The corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" of this annual report.

Continuing Connected Transaction

COFCO Hong Kong is interested in 45,058,000 shares of the Company, representing approximately 17.22% of the issued share capital of the Company and hence a connected person of the Company. Since COFCO Hong Kong and COFCO Feed Co., Ltd. ("COFCO Feed") are fellow subsidiaries of COFCO Corporation, COFCO Feed is an associate of COFCO Hong Kong and a connected person of the Company. Therefore, the sales transactions between the Group and COFCO Feed contemplated under the below-mentioned Master Sales Agreement constituted continuing connected transaction of the Company under the Listing Rules.

On 11 May 2011, the Company entered into a master sales agreement (the "Master Sales Agreement") with COFCO Feed for the period from 27 June 2011 to 31 December 2013. Pursuant to the Master Sales Agreement, the Group agreed to sell and COFCO Feed agreed to purchase from the Group the animal feed products (including fishmeal and tapioca chips) during the term of the Master Sales Agreement. The Master Sales Agreement can facilitate the Group to establish a long-term and stable relationship with COFCO Feed which shall in turn provide a secure source of revenue for the Group. The pricing of the animal feed products has been and will be, determined with reference to: (i) the price set by the Mainland China government (if any); or (ii) if no such price is set by the Mainland China government, such market price (per unit) of the animal feed products as agreed upon between the parties after negotiations. The Group has guaranteed and undertaken to COFCO Feed that the price of the animal feed products sold by the Group to COFCO Feed pursuant to the Master Sales Agreement will not be higher than the price of the identical goods provided by the Group to other independent third parties and will be on normal commercial terms.

The annual caps approved by the shareholders of the Company at the Company's extraordinary general meeting held on 27 June 2011 for the financial years ended/ending 31 December 2011, 31 December 2012 and 31 December 2013 were HK$360,000,000, HK$415,000,000 and HK$477,000,000 respectively. For the year ended 31 December 2012, the total order amount and invoiced value of these transactions ("COFCO Feed Transactions") amounted to HK$86,015,000 and HK$96,485,000 respectively (2011: HK$152,229,000 and HK$128,577,000).

The independent non-executive directors of the Company have reviewed the COFCO Feed Transactions and confirmed that they have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favorable to the Group than the terms available to independent third parties; and

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

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

Emolument Policy

The emolument policy of the employees of the Group is formulated and approved by the Board based on the employees' merit, qualification and competence.

The emoluments of the directors of the Company are determined by the Board, having regard to the Company's operating results, individual performance and comparable market statistics, based on the recommendation of the Remuneration Committee of the Company.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2012.

Auditor

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and BDO Limited ("BDO") was appointed by the directors as the new auditor of the Company. There have been no other changes of auditors in the past three years.

A resolution will be proposed at the forthcoming AGM to re-appoint BDO as auditor of the Company.

On behalf of the Board

John Ming Tak HO
Managing Director
25 March 2013

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF GREAT CHINA HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Great China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

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, in accordance with Section 141 of the Hong Kong Companies Ordinance 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate no. P04092

Hong Kong, 25 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	5	**1,691,863**	1,802,709
Cost of sales		**(1,537,789)**	(1,756,770)
Gross profit		**154,074**	45,939
Other income	7	**26,441**	90,968
Distribution costs		**(48,583)**	(66,539)
Administrative expenses		**(44,897)**	(34,335)
Increase in fair value of investment properties		**19,171**	76,797
Change in fair value of financial assets at fair value through profit or loss		**1,590**	—
Change in fair value of derivative financial instruments		**49**	(18,672)
Impairment loss on non-current assets		**(3,041)**	(24)
Gain on disposal of associates after deducting direct expenses and tax	34	**95,462**	—
Share of results of associates	20	**107,382**	(940)
Finance costs	8	**(14,799)**	(21,130)
Profit before income tax	9	**292,849**	72,064
Income tax expense	11	**(4,692)**	(8,088)
Profit for the year attributable to owners of the Company	12	**288,157**	63,976
		HK cents	HK cents (Restated)
Earnings per share	13		
— Basic		**110.12**	24.45
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Profit for the year		**288,157**	63,976
Other comprehensive income			
Exchange difference arising from			
— translation of foreign operations		**5,832**	29,706
— reclassification as a result of disposal of associates	*34*	**(21,540)**	—
(Decrease)/Increase in fair value of available-for-sale financial assets		**(400)**	430
Other comprehensive income for the year		**(16,108)**	30,136
Total comprehensive income for the year attributable to owners of the Company		**272,049**	94,112

Statements of Financial Position

As at 31 December 2012

		THE GROUP			THE COMPANY	
	Notes	**At 31 December 2012 HK$'000**	At 31 December 2011 HK$'000 (Restated)	At 1 January 2011 HK$'000 (Restated)	**At 31 December 2012 HK$'000**	At 31 December 2011 HK$'000
Non-current assets						
Goodwill	*15*	**—**	3,000	3,000	**—**	—
Investment properties	*16*	**956,907**	934,403	841,098	**—**	—
Property, plant and equipment	*17*	**52,788**	49,667	50,563	**8**	28
Prepaid lease payments for land	*18*	**271**	275	279	**—**	—
Interests in subsidiaries	*19*	**—**	—	—	**148,613**	87,096
Interests in associates	*20*	**—**	146,450	137,958	**—**	3,669
Amounts due from subsidiaries	*21*	**—**	—	—	**15,723**	298,024
Loan to an associate	*20*	**—**	17,290	16,911	**—**	17,290
Amount due from an associate	*20*	**—**	44,678	44,640	**—**	44,678
Other receivables	*25*	**16,175**	—	—	**—**	—
Available-for-sale financial assets	*22*	**11,077**	2,158	1,752	**—**	—
Derivative financial assets	*27*	**—**	574	—	**—**	—
Restricted bank deposit	*28*	**—**	16,659	—	**—**	—
		1,037,218	1,215,154	1,096,201	**164,344**	450,785
Current assets						
Properties held for sale	*23*	**19,322**	19,109	17,996	**—**	—
Inventories	*24*	**146,199**	22,287	29,100	**—**	—
Prepaid lease payments for land	*18*	**4**	4	4	**—**	—
Trade and other receivables	*25*	**307,809**	669,601	580,530	**528**	499
Amounts due from subsidiaries	*21*	**—**	—	—	**711,643**	177,818
Financial assets at fair value through profit or loss	*26*	**13,648**	—	—	**—**	—
Tax recoverable		**295**	548	—	**275**	548
Derivative financial assets	*27*	**152**	3,291	112	**—**	—
Restricted bank deposit	*28*	**16,789**	—	—	**—**	—
Pledged bank deposits	*28*	**92,449**	616,494	524,699	**—**	—
Structured bank deposits	*28*	**375,667**	274,757	283,165	**—**	—
Bank balances and cash	*28*	**333,728**	91,430	193,303	**8,139**	749
		1,306,062	1,697,521	1,628,909	**720,585**	179,614

Statements of Financial Position

As at 31 December 2012

		THE GROUP			THE COMPANY	
		At	At	At	**At**	At
		31 December	31 December	1 January	**31 December**	31 December
		2012	2011	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	HK$'000	**HK$'000**	HK$'000
			(Restated)	(Restated)		
Current liabilities						
Trade and bills payables	*29*	**318,352**	494,412	297,130	**—**	—
Other payables and accrued expenses		**104,569**	55,939	53,218	**14,680**	9,587
Rental deposits received		**3,082**	2,348	1,344	**—**	—
Amounts due to subsidiaries	*21*	**—**	—	—	**253,241**	334,828
Borrowings	*30*	**279,594**	957,487	1,131,861	**10,812**	10,753
Derivative financial liabilities	*27*	**3,051**	14,115	16,483	**—**	—
Tax payable		**1,296**	3,694	3,195	**—**	—
		709,944	1,527,995	1,503,231	**278,733**	355,168
Net current assets/(liabilities)		**596,118**	169,526	125,678	**441,852**	(175,554)
Total assets less current liabilities		**1,633,336**	1,384,680	1,221,879	**606,196**	275,231
Non-current liabilities						
Derivative financial liabilities	*27*	**—**	1,527	—	**—**	—
Rental deposits received		**4,831**	5,140	5,543	**—**	—
Borrowings	*30*	**158,396**	180,212	117,888	**56,925**	67,738
Deferred tax liabilities	*33*	**53,076**	50,200	42,342	**—**	—
		216,303	237,079	165,773	**56,925**	67,738
Net assets		**1,417,033**	1,147,601	1,056,106	**549,271**	207,493
Capital and reserves						
Share capital	*31*	**52,337**	52,337	52,337	**52,337**	52,337
Reserves	*32*	**1,364,696**	1,095,264	1,003,769	**496,934**	155,156
Total equity		**1,417,033**	1,147,601	1,056,106	**549,271**	207,493

The consolidated financial statements on pages 27 to 117 were approved and authorised for issue by the board of directors on 25 March 2013 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011, as previously reported	52,337	19,516	111,307	495	840	810,655	995,150
Prior year adjustment in respect of change in accounting policy *(note 2.1)*	—	—	—	—	—	60,956	60,956
At 1 January 2011, as restated	52,337	19,516	111,307	495	840	871,611	1,056,106
Profit for the year, as previously reported	—	—	—	—	—	55,871	55,871
Prior year adjustment in respect of change in accounting policy *(note 2.1)*	—	—	—	—	—	8,105	8,105
Profit for the year, as restated	—	—	—	—	—	63,976	63,976
Exchange difference arising from translation of foreign operations	—	—	29,706	—	—	—	29,706
Increase in fair value of available-for-sale financial assets	—	—	—	—	430	—	430
Other comprehensive income for the year	—	—	29,706	—	430	—	30,136
Total comprehensive income for the year	—	—	29,706	—	430	63,976	94,112
Transaction with owners:							
2010 final dividend paid *(note 14)*	—	—	—	—	—	(2,617)	(2,617)
At 31 December 2011, as restated	52,337	19,516	141,013	495	1,270	932,970	1,147,601
Profit for the year	—	—	—	—	—	288,157	288,157
Exchange difference arising from							
— translation of foreign operations	—	—	5,832	—	—	—	5,832
— reclassification as a result of disposal of associates *(note 34)*	—	—	(21,540)	—	—	—	(21,540)
Decrease in fair value of available-for-sale financial assets	—	—	—	—	(400)	—	(400)
Other comprehensive income for the year	—	—	(15,708)	—	(400)	—	(16,108)
Total comprehensive income for the year	—	—	(15,708)	—	(400)	288,157	272,049
Transaction with owners:							
2011 final dividend paid *(note 14)*	—	—	—	—	—	(2,617)	(2,617)
At 31 December 2012	**52,337**	**19,516**	**125,305**	**495**	**870**	**1,218,510**	**1,417,033**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before income tax		**292,849**	72,064
Adjustments for:			
Allowance for doubtful debts		**3,573**	83
(Reversal of allowance)/Allowance for inventories		**(3,869)**	2,453
Amortisation of prepaid lease payments for land		**4**	4
Impairment loss on goodwill		**3,000**	—
Impairment loss on available-for-sale financial assets		**41**	24
Depreciation of property, plant and equipment		**2,402**	2,194
Increase in fair value of investment properties		**(19,171)**	(76,797)
Change in fair value of derivative financial instruments		**(49)**	18,672
Change in fair value of financial assets at fair value through profit or loss		**(1,590)**	—
Gain on disposal of property, plant and equipment		**—**	(640)
Gain on disposal of associates after deducting direct expenses and tax	34	**(95,462)**	—
Share of results of associates		**(107,382)**	940
Interest income		**(24,853)**	(35,909)
Imputed interest income on loan to an associate		**—**	(338)
Imputed interest income on amount due from an associate		**—**	(893)
Finance costs		**14,799**	21,130
Operating cash flows before movements in working capital		**64,292**	2,987
(Increase)/Decrease in inventories		**(118,537)**	5,443
Decrease/(Increase) in trade and other receivables		**353,273**	(79,541)
Increase in derivative financial instruments		**(8,829)**	(23,266)
(Decrease)/Increase in trade and bills payables		**(177,054)**	193,918
Decrease in other payables and accrued expenses		**(1,595)**	(4,863)
Increase in rental deposits received		**397**	463
Purchase of financial assets at fair value through profit or loss		**(12,058)**	—
Cash from operations		**99,889**	95,141
Hong Kong profits tax paid		**(1,217)**	(1,869)
Overseas tax paid		**(1,748)**	(449)
Net cash from operating activities		**96,924**	92,823

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(20,124)**	(616,494)
Placement of structured bank deposits		**(371,619)**	(274,757)
Placement of restricted bank deposit		**—**	(16,659)
Purchase of property, plant and equipment		**(5,493)**	(1,078)
Withdrawal of pledged bank deposits		**542,730**	524,699
Withdrawal of structured bank deposits		**273,911**	283,165
Interest received		**29,633**	28,842
Proceeds from disposal of property, plant and equipment		**—**	640
Purchase of available-for-sale financial assets		**(9,360)**	—
Proceeds from disposal of associates	34	**367,261**	—
Settlement of balances due from an associate	34	**60,750**	—
Net cash from/(used in) investing activities		**867,689**	(71,642)
FINANCING ACTIVITIES			
New bank loans raised		**88,920**	534,617
(Decrease)/Increase in financing from discounting of bills receivables with full recourse		**(299,252)**	365,723
Repayment of bank loans		**(489,348)**	(823,475)
Decrease in trust receipt loans		**—**	(189,589)
Interest paid		**(20,105)**	(13,546)
Dividends paid		**(2,617)**	(2,617)
Net cash used in financing activities		**(722,402)**	(128,887)
Net increase/(decrease) in cash and cash equivalents		**242,211**	(107,706)
Cash and cash equivalents at 1 January		**91,430**	193,303
Effect of foreign exchange rate changes		**87**	5,833
Cash and cash equivalents at 31 December		**333,728**	91,430
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**333,728**	91,430

Note: The above illustrates the indirect method of reporting cash flows from operating activities.

1. GENERAL

Great China Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Unit D, 26th Floor, United Centre, 95 Queensway, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the trading of animal feed, property investment and trading of properties. The Company and its subsidiaries are collectively referred to as the "Group".

Its immediate holding company is Fulcrest Limited, a limited liability company incorporated in Hong Kong and its ultimate holding company is Kwong Fong Industries Corporation, a limited liability company incorporated in Taiwan with its shares listed on the Taiwan Stock Exchange Corporation.

The functional currency of the Company and its major subsidiaries is United States dollars ("USD"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is different from the functional currency of the Company, as the directors of the Company consider that HK$ is a more appropriate presentation currency in view of its place of listing.

The consolidated financial statements on pages 27 to 117 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2012 were approved by the board of directors for issue on 25 March 2013.

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs — effective 1 January 2012

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

2. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

2.1 Adoption of new or revised HKFRSs — effective 1 January 2012 *(continued)*

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

The Group has applied the amendments to HKFRS 7 Disclosures — Transfers of Financial Assets in the current year. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, such involvement. The amendments did not have an impact on the Group's financial position or performance.

During the year, the Group discounted certain of its bills receivables with recourse (note 25). As the Group retained the significant risks and rewards of ownership of the discounted bills receivables, the transfer transactions did not meet the requirements of HKAS 39 for de-recognition. The bills receivables remained as the Group's financial assets with the cash received being recognised as asset-backed borrowings (note 30). The financial statements for the current year include additional disclosures describing the nature of the relationship between the discounted debts and the associated financial liabilities, including restriction on the Group's use of the debts arising from the discounting arrangements. In accordance with the transition requirements of the amendments, the disclosures for the comparative period have not been amended.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The Group has applied the amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets in the current year. The amendments to HKAS 12 introduced a rebuttable presumption that an investment property is recovered entirely through sale. The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments are applied retrospectively.

The Group measures its investment properties using the fair value model. Previously, the Group recognised deferred tax on changes in fair value of investment properties on the basis that the entire carrying amounts of the investment properties were recovered through use. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios, which compose of investment properties locating in Hong Kong and the People's Republic of China (the "PRC").

For investment properties locating in Hong Kong, the directors of the Company assessed that the Group would not consume substantially all of the economic benefits embodied in those investment properties over time and have determined that the presumption set out in the amendments to HKAS 12 is not rebutted. The application of the amendments to HKAS 12 has resulted in adjustment to deferred tax liabilities relating to those investment properties locating in Hong Kong in order to reflect the tax consequences of recovering those investment properties through sale. The amendment is adopted retrospectively for the financial year ended 31 December 2011.

For investment properties locating in the PRC, the directors of the Company concluded that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the presumption set out in the amendments to HKAS 12 is rebutted and the related deferred tax liabilities are not remeasured.

2. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

2.1 Adoption of new or revised HKFRSs — effective 1 January 2012 *(continued)*

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets *(continued)*

The adoption of the amendments to HKAS 12 has resulted in a reduction in the amount of deferred tax liabilities arising from fair value changes on those investment properties locating in Hong Kong and the effect on the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position is as follows:

	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
Consolidated income statement		
Decrease in income tax expense	**1,975**	8,105
Increase in net profit attributable to owners of the Company	**1,975**	8,105
Consolidated statement of comprehensive income		
Increase in total comprehensive income for the year attributable to owners of the Company	**1,975**	8,105
	HK cents	HK cents
Increase in basic earnings per share	**0.75**	3.10

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000	At 1 January 2011 HK$'000
Consolidated statement of financial position			
Decrease in deferred tax liabilities	**71,036**	69,061	60,956
Increase in retained profits	**71,036**	69,061	60,956

2. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

2.2 New and revised HKFRSs that have been issued but not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]
Annual Improvements	Annual Improvements to HKFRSs — 2009–2011 Cycle[2]

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

Amendments to HKAS 1 (Revised) Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

2.2 New and revised HKFRSs that have been issued but not yet effective *(continued)*

Amendments to HKAS 32 Presentation — Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalent to net settlements. The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The directors anticipate that the application of the amendments to HKAS 32 and HKFRS 7 may affect the Group's disclosure regarding offsetting financial assets and financial liabilities in the future. The amendments will be applied retrospectively.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

2. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

2.2 New and revised HKFRSs that have been issued but not yet effective *(continued)*

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

2. ADOPTION OF NEW OR REVISED HKFRSs *(continued)*

2.2 New and revised HKFRSs that have been issued but not yet effective *(continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

Annual Improvements to HKFRSs—2009–2011 Cycle

The Annual Improvements to HKFRSs — 2009–2011 Cycle include a number of amendments to various HKFRSs, which include:

HKAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

HKAS 16 Property, Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

HKAS 32 Financial Instruments: Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes.

HKAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs. The measurement bases are fully described in the accounting policies below.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

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

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, unrealised gains and losses on transactions within the Group are eliminated in full on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

3.2 Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Business combinations

Acquisitions of subsidiaries or businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

The identifiable assets acquired and the liabilities assumed are principally measured at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the business combination is achieved in stage, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent changes to contingent consideration classified as an asset or a liability are recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, including contingent liabilities. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Business combinations *(continued)*

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3.4 Goodwill

Goodwill arising from acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently carried at cost less accumulated impairment losses, if any.

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

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

Recoverable amount of a cash-generating unit is the higher of fair value, reflecting market conditions less costs to sell, determined based on the estimated future cash flows which are discounted to their present value using a pre-tax discount rate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Associates

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

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group. The Group's share in the associate's profits or losses resulting from these transactions is eliminated against the carrying value of the associate.

Interests in associates are included in the Company's statement of financial position at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividend received or receivable during the year.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

Where the Group loses significant influence over an associate, the profit or loss on disposal is calculated as the difference between the fair value of any retained investment and the proceeds received, and the carrying amount of the investment at the date when significant influence is lost. Amounts previously recognised in other comprehensive income in relation to that associate are accounted for in the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

3.6 Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Assets that the Group controls and liabilities that it incurs in relation to jointly controlled operations are recognised in the Group's consolidated statement of financial position on an accrual basis and classified according to the nature of the items. The Group's share of income that it earns from jointly controlled operations together with the expenses that it incurs are included in profit or loss when it is probable that economic benefits associated with the transaction will flow to/from the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Investment properties

Investment properties are land and buildings held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purpose.

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

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

3.8 Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

3.9 Leasehold land and buildings

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Leasing

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

The Group as lessor

Assets leased by the Group under operating lease are included in non-current assets, and rental income is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as expenses in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.11 Impairment loss on tangible assets

At the end of the reporting period, the Group and the Company reviews the carrying amounts of the following assets to determine whether there is any indication that these assets have suffered an impairment loss:

— property, plant and equipment;

— prepaid lease payments for land; and

— interests in subsidiaries and associates.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Impairment loss on tangible assets *(continued)*

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

3.12 Financial instruments

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

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

(i) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Group classifies its financial assets on initial recognition, depending on the nature and purpose for which the financial asset was acquired. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial instruments *(continued)*

(i) Financial assets *(continued)*

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.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial instruments *(continued)*

(i) Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value with changes in fair value recognised in other comprehensive income, accumulated in investment revaluation reserve, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss. When the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Impairment of financial assets

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

Evidence of impairment may include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest and principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial instruments *(continued)*

(i) Financial assets (continued)

Impairment of financial assets (continued)

Loans and receivables

For loans and receivables carried at amortised cost, an impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When any part of the financial asset is determined as uncollectible, it is written off against the allowance account for the relevant asset.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss of the period in which the reversal occurs.

For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial instruments *(continued)*

(ii) Financial liabilities and equity instruments

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

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

— it has been incurred principally for the purpose of repurchasing in the near future; or

— it is a derivative, including separated embedded derivative, that is not designated and effective as a hedging instrument.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;

— the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

— the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial instruments *(continued)*

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost (including trade and bills payables, other payables and accrued expenses, amounts due to subsidiaries and borrowings) are subsequently measured at amortised cost, using the effective interest method.

(iii) Effective interest method

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

Interest income and expense is recognised on an effective interest basis.

(iv) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vi) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Financial instruments *(continued)*

(vii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

3.13 Inventories and properties held for sale

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value, comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method.

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.14 Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve in equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in exchange reserve relating to that foreign operation up to the date of disposal attributable to owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.16 Revenue recognition

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

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time when goods are delivered and title has passed to customers.

Revenue from sales of properties is recognised when the risks and rewards of the properties are transferred to the buyers, upon execution of binding sales agreement and delivery of properties to buyers.

Rental income, including rentals invoiced in advance from properties leased under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as expenses on a straight-line basis over the lease term.

Agency fee income is recognised when services are provided.

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

3.17 Taxation

Income tax expense comprises current tax and deferred tax.

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

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

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

3.18 Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Retirement benefit costs

Payments to the retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

3.20 Dividends

Final dividends 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 are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.21 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 chief operating decision-maker i.e. the 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.

3.22 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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, the existence of which 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

(ii) one entity is an associate or joint venture of the other entity (or 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 party and the other party is an associate of the third party;

(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 and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

(i) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. The valuation is reviewed annually by qualified valuers by considering information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from the external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key sources of estimation uncertainty *(continued)*

(ii) Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The estimation of the recoverable amount of receivables requires significant estimation and judgements including evaluation of collectability and assessing creditworthiness and past collection history of customers or debtors. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(iii) Fair values of other financial instruments

The fair values of other financial instruments that are not traded in an active market, including foreign currency forward contracts and interest rate swaps contracts are determined by reference to prices from observable current market transactions and dealer quotes for similar instruments. The fair values of derivatives embedded in structured bank deposits are determined in accordance with generally accepted option pricing models.

(iv) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated variable selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant estimation and judgments are required. In making these estimation and judgments, the Group evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions.

Critical judgement in applying accounting policies

Determination of deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties, the directors reviewed the Group's investment property portfolio and determined whether the investment properties, including properties locating in Hong Kong and the PRC, are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale and accordingly, whether the presumption set out in the amendments to HKAS 12 is to be rebutted. The directors of the Company exercise judgement to determine the expected manner of recovering the carrying amount of the Group's investment properties based on the Group's business plans.

5. REVENUE

Revenue, which is also the turnover of the Group, represents net invoiced value of fishmeal and tapioca chips sold, rental income derived from investment properties and value of services rendered during the year. Revenue recognised during the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Sales of goods	**1,655,331**	1,768,454
Rental income from investment properties	**36,161**	33,620
Agency fee income	**371**	635
	1,691,863	1,802,709

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision-maker, for the purpose of resource allocation and assessment of segment performance focuses on the operating divisions of the Group.

The Group has identified the following reportable segments for its operating segments. These segments are managed separately as each business offers different products and services and required different business strategies.

1. General trading — trading of fishmeal (2011: trading of fishmeal and tapioca chips)

2. Property investment in Hong Kong — leasing of properties situated in Hong Kong

3. Property investment in the PRC — leasing of properties situated in the PRC (other than Hong Kong) and provision for agency services (part of the business is carried out through associates)

4. Trading of properties — sale of properties situated in the PRC

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.21. There were no inter-segment sales between different operating segments for the year ended 31 December 2012 (2011: nil). Segment revenue represents sales revenue from external customers. Segment profit or loss after tax represents net profit earned or loss incurred by each reportable segment without allocation of income and expenses of the Group's head office, including change in fair value of financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, central administrative costs, unallocated finance costs and unallocated income tax credit or expense.

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

- all assets are allocated to reportable segments other than the Group head office's corporate assets; and

- all liabilities are allocated to reportable segments other than the Group head office's corporate liabilities.

Information regarding the above segments is reported below.

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Consolidated HK$'000
For the year ended 31 December 2012					
Reportable segment revenue	**1,655,331**	**15,347**	**21,185**	**—**	**1,691,863**
Reportable segment profit after tax	**58,621**	**23,805**	**219,047**	**—**	**301,473**
Change in fair value of financial assets at fair value through profit or loss					**1,590**
Impairment loss on available-for-sale financial assets					**(41)**
Central administrative costs					**(14,514)**
Unallocated finance costs					**(384)**
Unallocated income tax credit					**33**
Profit for the year					**288,157**

	General trading HK$'000	Property investment in Hong Kong HK$'000 (Restated)	Property investment in the PRC HK$'000	Trading of properties HK$'000	Consolidated HK$'000 (Restated)
For the year ended 31 December 2011					
Reportable segment revenue	1,768,538	13,775	20,396	—	1,802,709
Reportable segment (loss)/profit after tax	(17,362)	63,783	26,721	—	73,142
Impairment loss on available-for-sale financial assets					(24)
Central administrative costs					(8,552)
Unallocated finance costs					(333)
Unallocated income tax expense					(257)
Profit for the year					63,976

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Total HK$'000
At 31 December 2012					
Reportable segment assets	**1,019,331**	**529,923**	**459,056**	**19,322**	**2,027,632**
Available-for-sale financial assets					**11,077**
Financial assets at fair value through profit or loss					**13,648**
Corporate assets					**290,923**
Consolidated assets					**2,343,280**
Reportable segment liabilities	**673,038**	**97,918**	**127,282**	**—**	**898,238**
Corporate liabilities					**28,009**
Consolidated liabilities					**926,247**

	General trading HK$'000	Property investment in Hong Kong HK$'000 (Restated)	Property investment in the PRC HK$'000	Trading of properties HK$'000	Total HK$'000 (Restated)
At 31 December 2011					
Reportable segment assets	1,679,773	516,751	648,561	19,109	2,864,194
Available-for-sale financial assets					2,158
Corporate assets					46,323
Consolidated assets					2,912,675
Reportable segment liabilities	1,465,527	108,900	81,319	—	1,655,746
Corporate liabilities					109,328
Consolidated liabilities					1,765,074

6. SEGMENT INFORMATION *(continued)*

Other segment information

	General trading HK$'000	Property investment in Hong Kong HK$'000	Property investment in the PRC HK$'000	Trading of properties HK$'000	Corporate/ Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2012						
Additions to non-current assets *(note)*	100	—	298	—	5,095	5,493
Amortisation of prepaid lease payments for land	—	—	4	—	—	4
Depreciation of property, plant and equipment	468	1	940	—	993	2,402
Fair value gain on investment properties	—	12,070	7,101	—	—	19,171
Fair value gain on financial assets at fair value through profit or loss	—	—	—	—	1,590	1,590
Fair value gain on derivative financial instruments	49	—	—	—	—	49
Impairment loss on goodwill	3,000	—	—	—	—	3,000
Impairment loss on available-for-sale financial assets	—	—	—	—	41	41
Allowance for doubtful debts	3,479	—	94	—	—	3,573
Reversal of allowance for inventories	3,869	—	—	—	—	3,869
Gain on disposal of associates after deducting direct expenses and tax	—	—	95,462	—	—	95,462
Share of profits of associates	—	—	107,382	—	—	107,382
Exchange loss/(gain), net	3,495	16	(1,412)	—	364	2,463
Bank interest income	24,627	—	24	—	202	24,853
Interest expense	12,483	1,778	154	—	384	14,799
Income tax expense/(credit)	40	957	3,728	—	(33)	4,692

6. SEGMENT INFORMATION *(continued)*

Other segment information *(continued)*

	General trading HK$'000	Property investment in Hong Kong HK$'000 (Restated)	Property investment in the PRC HK$'000	Trading of properties HK$'000	Corporate/ Unallocated HK$'000	Consolidated HK$'000 (Restated)
For the year ended 31 December 2011						
Additions to non-current assets *(note)*	756	—	322	—	—	1,078
Amortisation of prepaid lease payments for land	—	—	4	—	—	4
Depreciation of property, plant and equipment	312	7	881	—	994	2,194
Share of losses of associates	—	—	940	—	—	940
Fair value gain on investment properties	—	52,530	24,267	—	—	76,797
Fair value loss on derivative financial instruments	18,672	—	—	—	—	18,672
Gain on disposal of property, plant and equipment	640	—	—	—	—	640
Impairment loss on available-for-sale financial assets	—	—	—	—	24	24
Allowance for doubtful debts	—	—	83	—	—	83
Allowances for inventories	2,453	—	—	—	—	2,453
Exchange (gain)/loss, net	(52,679)	7	(108)	—	628	(52,152)
Bank interest income	35,873	—	35	—	1	35,909
Imputed interest income on loan to an associate	—	—	338	—	—	338
Imputed interest income on amount due from an associate	—	—	893	—	—	893
Interest expense	18,850	1,047	900	—	333	21,130
Income tax expense	1,543	706	5,582	—	257	8,088
As at 31 December 2011						
Interests in associates	—	—	146,450	—	—	146,450

Note: Non-current assets excluded financial instruments.

6. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue by location of customers and information about its non-current assets (exclude financial instruments) by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**15,347**	13,775	**575,974**	559,803
Other regions in the PRC	**1,676,516**	1,788,934	**433,992**	573,992
	1,691,863	1,802,709	**1,009,966**	1,133,795

Information about major customers

For the years ended 31 December 2012 and 2011, no customer has contributed 10% or more of the Group's total revenue.

7. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Bank interest income	**24,853**	35,909
Exchange gain, net *(note)*	**—**	52,152
Gain on disposal of property, plant and equipment	**—**	640
Imputed interest income on loan to an associate	**—**	338
Imputed interest income on amount due from an associate	**—**	893
Sundry	**1,588**	1,036
	26,441	90,968

Note: Included in exchange gain for the year ended 31 December 2011 was an unrealised gain of HK$26,883,000 arising from re-translation of foreign currency pledged bank deposits and bills receivables which were denominated in Renminbi ("RMB") at the rate prevailing at 31 December 2011. As at 31 December 2011, the Group entered into arrangements with banks that these pledged bank deposits and bills receivables would subsequently be exchanged into USD to settle bank loans denominated in USD. At the same time, the Group entered into certain foreign currency non-deliverable forward contracts (note 27) which effectively fixed the exchange rate to convert the pledged bank deposits and bills receivables into USD on settlement dates of the relevant bank loans. The management was of the view that the above arrangements reduce the Group's exposure to currency fluctuations risk on these foreign currency balances.

During the year, those bank loans denominated in USD were settled, which were financed by those pledged bank deposits and bills receivables denominated in RMB. At the same time, the foreign currency non-deliverable forward contracts were settled in net.

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on bank loans		
— wholly repayable within five years	**11,993**	19,108
— not wholly repayable within five years	**2,806**	2,022
	14,799	21,130

9. PROFIT BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
Profit before income tax has been arrived at after charging/(crediting):		
Auditor's remuneration	**850**	1,230
Amortisation of prepaid lease payments for land	**4**	4
Depreciation of property, plant and equipment	**2,402**	2,194
Cost of inventories recognised as an expense	**1,537,789**	1,756,770
Exchange loss/(gain), net	**2,463**	(52,152)
Allowance for doubtful debts	**3,573**	83
(Reversal of allowance)/Allowance for inventories	**(3,869)**	2,453
Impairment loss on non-current assets:		
— Goodwill	**3,000**	—
— Available-for-sale financial assets	**41**	24
Staff costs including directors' emoluments *(notes (a) and (b))*	**27,377**	18,799
Gross rental income from investment properties	**(36,161)**	(33,620)
Less: Outgoings	**4,328**	3,687
Net rental income from investment properties	**(31,833)**	(29,933)

Notes:

(a) Staff costs (including directors' emoluments) comprise:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits	**27,146**	18,558
Retirement fund contributions — defined contribution retirement plans	**231**	241
	27,377	18,799

(b) Operating lease charges in respect of the Group's staff quarters of HK$1,356,000 (2011: HK$1,329,000) are included in staff costs.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Mr. Rustom Ming Yu HO HK$'000	Mr. John Ming Tak HO HK$'000	Mr. Patrick Kwok Wai POON HK$'000	Mr. Maung Tun MYINT HK$'000	Mr. Lawrence Kam Kee YU HK$'000	Mr. David Hon To YU HK$'000	Mr. Hsu Chou WU HK$'000	Ms. Yu Gia HO HK$'000	Total HK$'000
For the year ended 31 December 2012									
Fees	**—**	**—**	**—**	**—**	**280**	**300**	**60**	**60**	**700**
Other emoluments									
Salaries and other benefits	**1,084**	**4,327**	**1,611**	**1,296**	**—**	**—**	**—**	**—**	**8,318**
Discretionary performance bonus *(note (i))*	**50**	**2,844**	**358**	**1,689**	**—**	**—**	**—**	**—**	**4,941**
Retirement benefit scheme contributions	**—**	**14**	**16**	**14**	**—**	**—**	**—**	**—**	**44**
	1,134	**7,185**	**1,985**	**2,999**	**280**	**300**	**60**	**60**	**14,003**
For the year ended 31 December 2011									
Fees	—	—	—	—	240	250	60	60	610
Other emoluments									
Salaries and other benefits	757	4,304	1,511	1,260	—	—	—	—	7,832
Discretionary performance bonus *(note (i))*	50	270	59	158	—	—	—	—	537
Retirement benefit scheme contributions	—	12	41	12	—	—	—	—	65
	807	4,586	1,611	1,430	240	250	60	60	9,044

Notes:

(i) The discretionary performance bonus is determined having regard to the performance of individuals and financial results of the Group.

(ii) No directors waived any emoluments during the year ended 31 December 2012 (2011: nil).

10. DIRECTORS' AND EMPLOYEES' REMUNERATION *(continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2011: four) are directors of the Company whose emoluments are included in the disclosure in note (a) above. The emoluments of the remaining one (2011: one) highest paid individual is as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**555**	520
Discretionary performance bonus	**—**	90
Retirement benefits costs — defined contribution plans	**14**	12
	569	622

The emoluments were within the following band:

	Number of employee	
	2012	2011
Nil to HK$1,000,000	**1**	1

No emolument was paid or payable by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2011: nil).

11. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000 (Restated)
Income tax expense comprises:		
Hong Kong profits tax		
Current tax for the year	**408**	1,763
Under/(Over) provision in prior years	**71**	(37)
	479	1,726
Other jurisdictions		
Current tax for the year	**1,705**	414
Under-provision in prior years	**38**	—
	1,743	414
Deferred tax *(note 33)*		
Current year	**2,470**	5,948
Income tax expense	**4,692**	8,088

11. INCOME TAX EXPENSE *(continued)*

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

	2012 HK$'000	2011 HK$'000 (Restated)
Profit before income tax	**292,849**	72,064
Tax on profit before income tax, calculated at applicable tax rates	**38,257**	11,891
Tax effect of expenses not deductible for tax purpose	**2,018**	959
Tax effect of income not taxable for tax purpose	**(4,990)**	(11,179)
Tax effect of tax losses not recognised	**6,211**	8,677
Tax effect of share of results of associates	**(17,718)**	155
Tax effect of utilisation of tax losses previously not recognised	**(21,858)**	(2,852)
Tax effect of temporary difference not recognised	**1,229**	(357)
Under/(Over) provision in prior years	**109**	(37)
Others	**1,434**	831
Income tax expense	**4,692**	8,088

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the Group's profit attributable to owners of the Company of HK$288,157,000 (2011: HK$63,976,000, as restated), a profit of HK$344,395,000 (2011: HK$8,939,000) has been dealt with in the financial statements of the Company (note 32).

13. EARNINGS PER SHARE

The calculations of basic earnings per share attributable to owners of the Company are based on the following data:

	2012 HK$'000	2011 HK$'000 (Restated)
Profit for the year attributable to owners of the Company	**288,157**	63,976

	Number of shares	
	2012	2011
Weighted average number of ordinary shares in issue during the year	**261,684,910**	261,684,910

No diluted earnings per share is presented for the years ended 31 December 2012 and 2011 as there were no potential dilutive ordinary shares in issue in both years.

14. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Proposed final dividend for the year of HK$0.10 (2011: HK$0.01) per ordinary share	**26,168**	2,617

The final dividend of HK$0.10 (2011: HK$0.01) per ordinary share amounting to HK$26,168,000 (2011: HK$2,617,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

	2012 HK$'000	2011 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.01 (2011: HK$0.01) per ordinary share	**2,617**	2,617

15. GOODWILL

	THE GROUP HK$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	22,308
IMPAIRMENT LOSSES	
At 1 January 2011, 31 December 2011 and 1 January 2012	19,308
Impairment loss recognised	3,000
At 31 December 2012	22,308
NET CARRYING AMOUNT	
At 31 December 2012	**—**
At 31 December 2011	3,000

Goodwill as at 31 December 2012 and 2011 was allocated to the cash generating unit ("CGU") that is engaged in trading of fishmeal with operations carried out in the PRC.

The recoverable amount of this CGU has been determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by the management covering a period of five (2011: ten) years which is discounted at the rate of 12% (2011: 10%). The cash flows beyond the five-year budget period are extrapolated using a zero growth rate and assuming steady cash flow at the fifth year. The growth rate does not exceed the long-term average growth rate for fishmeal trading business in which the CGU operates. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin based on the CGU's past performance and management's expectations for the market development. The discount rate used is pre-tax and reflects specific risks relating to trading of fishmeal in the PRC. Based on these calculations, the recoverable amount of this CGU within general trading segment fell below its carrying amount as at 31 December 2012, resulting in impairment provision for the carrying amount of the goodwill of HK$3,000,000 (2011: nil).

16. INVESTMENT PROPERTIES

	THE GROUP HK$'000
Carrying amount at 1 January 2011	841,098
Exchange realignment	16,508
Increase in fair value	76,797
Carrying amount at 31 December 2011 and 1 January 2012	934,403
Exchange realignment	3,333
Increase in fair value	19,171
Carrying amount at 31 December 2012	**956,907**

All of the Group's leasehold interests in land held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

16. INVESTMENT PROPERTIES *(continued)*

The fair value of the Group's investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out by A.G. Wilkinson & Associates, independent qualified professional valuers on that dates. A.G. Wilkinson & Associates is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the PRC and Hong Kong. The valuation was arrived at based on capitalisation of the net income by reference to market yield of similar properties.

Certain investment properties with an aggregate carrying amount of HK$799,487,000 (2011: HK$932,447,000) are pledged to secure bank facilities granted to the Group (note 38).

The carrying amount of investment properties shown above comprises:

	2012 **HK$'000**	2011 HK$'000
Properties situated in:		
— leasehold land in Hong Kong under:		
Long lease	**488,200**	446,500
Medium-term lease	**40,200**	69,830
	528,400	516,330
— leasehold land outside Hong Kong under:		
Long lease	**428,507**	418,073
	956,907	934,403

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2011	38,216	9,409	9,438	3,280	5,923	66,266
Exchange realignment	—	133	160	38	95	426
Additions	—	—	173	342	563	1,078
Disposals	—	—	—	(1,580)	—	(1,580)
At 31 December 2011 and 1 January 2012	38,216	9,542	9,771	2,080	6,581	66,190
Exchange realignment	—	27	35	7	20	89
Additions	—	—	5,095	—	398	5,493
At 31 December 2012	38,216	9,569	14,901	2,087	6,999	71,772
DEPRECIATION						
At 1 January 2011	877	950	6,290	2,545	5,041	15,703
Exchange realignment	—	27	90	11	78	206
Provided for the year	318	222	1,171	156	327	2,194
Elimination on disposals	—	—	—	(1,580)	—	(1,580)
At 31 December 2011 and 1 January 2012	1,195	1,199	7,551	1,132	5,446	16,523
Exchange realignment	—	8	29	4	18	59
Provided for the year	318	222	1,185	244	433	2,402
At 31 December 2012	1,513	1,429	8,765	1,380	5,897	18,984
NET CARRYING AMOUNT						
At 31 December 2012	**36,703**	**8,140**	**6,136**	**707**	**1,102**	**52,788**
At 31 December 2011	37,021	8,343	2,220	948	1,135	49,667
THE COMPANY						
COST						
At 1 January 2011, 31 December 2011 and 31 December 2012	—	—	—	—	1,307	1,307
DEPRECIATION						
At 1 January 2011	—	—	—	—	1,260	1,260
Provided for the year	—	—	—	—	19	19
At 31 December 2011 and 1 January 2012	—	—	—	—	1,279	1,279
Provided for the year	—	—	—	—	20	20
At 31 December 2012	—	—	—	—	1,299	1,299
NET CARRYING AMOUNT						
At 31 December 2012	**—**	**—**	**—**	**—**	**8**	**8**
At 31 December 2011	—	—	—	—	28	28

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Property, plant and equipment are depreciated on a straight-line basis to write off their cost, less estimated residual value, if any, over their estimated useful lives as follows:

Category of assets

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 40 years
Leasehold improvements	5 years
Motor vehicles	4 years
Furniture, fixtures and office equipment	5 years

Certain leasehold land and buildings with aggregate carrying amount of HK$42,230,000 (2011: HK$42,705,000) are pledged to secure bank facilities granted to the Group (note 38).

The carrying amount of leasehold land represents land located in Hong Kong held by the Group under long lease (2011: long lease).

18. PREPAID LEASE PAYMENTS FOR LAND

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**279**	283
Amortisation for the year	**(4)**	(4)
Carrying amount at 31 December	**275**	279

The Group's prepaid lease payments for land comprise:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Leasehold land in the PRC held under		
— long lease	**275**	279
Analysed for reporting purposes as:		
— Non-current asset	**271**	275
— Current asset	**4**	4
	275	279

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**131,295**	51,216
Deemed capital contribution in subsidiaries	**40,177**	39,752
Less: Impairment losses recognised	**(22,859)**	(3,872)
	148,613	87,096

As at 31 December 2012, the directors of the Company assessed the recoverable amount of the Company's interests in subsidiaries with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period. Based on the impairment assessment, further impairment loss of HK$18,987,000 has been recognised during the year (2011: nil) in respect of these investments.

Particulars of the subsidiaries at 31 December 2012 are as follows:

Name of company	Place/Country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company 2012	2011	Principal activities
Held directly:					
Adamgate Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100%**	—#	Investment holding
Dajen Properties Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100%**	100%	Investment holding
G.C. Luckmate Trading (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Animal feed trading
G.C. Nominees Limited	Hong Kong	10,000 ordinary shares of HK$0.01 each	**100%**	100%	Inactive
Great China Development (Shanghai) Limited	British Virgin Islands/ Hong Kong	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
Halesite Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	**100%**	100%	Property investment
Haode Property Management (Shanghai) Company Limited*	PRC	Registered capital of US$500,000	**100%**	100%	Real estate agent in Shanghai, China
Morning Sky Holdings Limited *(note (b))*	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100%**	—	Investment holding
Poppins Properties Limited	British Virgin Islands/ Hong Kong	55,603 ordinary shares of US$1 each	**100%**	—#	Investment holding
Sunison Development Limited	Hong Kong	10,000 ordinary shares of HK$0.01 each	**100%**	100%	Investment holding
Tai Loy Trading Company Limited	Hong Kong	433,440 ordinary shares of HK$100 each	**100%**	100%	Investment holding

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Place/Country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company 2012	2011	Principal activities
Held indirectly:					
Adamgate Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	—#	100%	Investment holding
Capital Head Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Shanghai, China
Concord Trinity Development Limited	Hong Kong	2 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each *(note (a))*	**100%**	100%	Property investment in Shanghai, China
G.C. Luckmate Trading Limited	Hong Kong	4,000,000 ordinary shares of HK$1 each	**100%**	100%	Animal feed trading
G.C. Luckmate Trading (Asia) Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Animal feed trading
G.C. Luckmate Trading (International) Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Animal feed trading
Glory South Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Great China Commodities Limited	British Virgin Islands/ Hong Kong	10,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Honour Alliance Development Limited	Hong Kong	10,000 ordinary shares of HK$0.01 each	**100%**	100%	Property investment
Jasmine Ocean Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	**100%**	100%	Ship chartering
Jelson Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each *(note (a))*	**100%**	100%	Property investment in Shanghai, China
Poppins Properties Limited	British Virgin Islands/ Hong Kong	55,603 ordinary shares of US$1 each	—#	100%	Investment holding
Silver Regent Development Limited	Hong Kong	10,000 ordinary shares of HK$0.01 each	**100%**	100%	Property investment
上海裕景貿易有限公司*	PRC	Registered capital of RMB3,000,000	**100%**	100%	Animal feed trading
博平置業(上海)有限公司*	PRC	Registered capital of US$8,460,000	**100%**	100%	Property investment in Shanghai, China

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Place/Country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2012	2011	
上海澤尼貿易有限公司*	PRC	Registered capital of US$150,000	**100%**	100%	Animal feed trading

* A wholly foreign owned enterprise

\# Issued share capital held indirectly by the Company in last year but held directly during the year

Notes:

(a) The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

(b) The subsidiary was newly established during the year ended 31 December 2012.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year (2011: nil).

20. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

Interests in associates

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investment in unlisted associates	—	—	—	—
Share of post-acquisition reserves	—	142,781	—	—
Deemed contribution	—	3,669	—	3,669
	—	146,450	—	3,669

In October 2012, the Group disposed of its entire equity interests in Samstrong International Limited ("Samstrong"), Da Da Development (Shanghai) Corporation and Yield Commence Limited, the associates of the Group (collectively referred to as the "Samstrong Group") as well as assigned the loan to and amounts due from Samstrong Group to the Buyer (as defined in note 34) at aggregate consideration of RMB365,500,000 (equivalent to approximately HK$450,429,000). Details of the transaction are set out in note 34.

After the disposal of the equity interests in Samstrong, the Group does not hold any interest in associate.

20. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE *(continued)*

Interests in associates *(continued)*

Particulars of the associates as at 31 December 2011 are as follows:

Name of associate	Form of business structure	Place/Country of incorporation/ operations	Percentage of issued share capital held indirectly by the Company	Principal activity
Samstrong *(note (a))*	Incorporated	British Virgin Islands/ Hong Kong	43%	Investment holding
Da Da Development (Shanghai) Corporation *(note (b))*	Incorporated	PRC	43%	Property investment in Shanghai, China
Yield Commence Limited *(note (b))*	Incorporated	Hong Kong	43%	Investment holding

Notes:

(a) As at 31 December 2011, out of the total 43 shares held by the Group, 7 shares were charged to another shareholder of Samstrong in exchange for the consent from such shareholder to pledge the investment properties of the associate as security for banking facilities used by the Group.

(b) Da Da Development (Shanghai) Corporation, a wholly foreign owned investment enterprise is a wholly owned subsidiary of Yield Commence Limited, which is a wholly owned subsidiary of Samstrong.

The following illustrates the summarised financial information of Samstrong Group for the period from 1 January 2012 up to the date of disposal as extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

	2012 HK$'000	2011 HK$'000
Total assets	—	584,297
Total liabilities	—	(245,357)
Net assets	—	338,940
Group's share of net assets of associates	—	146,450

20. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE *(continued)*

Interests in associates *(continued)*

	2012 HK$'000	2011 HK$'000
Revenue	—	890
Profit/(Loss) for the period/year	**249,726**	(555)
Group's share of results of associates for the period/year *(note)*	**107,382**	(940)

Note:

The Group's share of results of Samstrong Group for the period from 1 January 2012 up to the date of disposal was HK$107,382,000, which mainly represented share of fair value gain on investment properties held by Samstrong Group.

Loan to an associate/Amount due from an associate

As at 31 December 2011, the loan to and amount due from an associate were unsecured, interest-free and not repayable within the next twelve months after 31 December 2011. Accordingly, they were classified as non-current assets as at 31 December 2011. The balances were measured at amortised cost using effective interest method at effective interest rate of 2% per annum.

During the year ended 31 December 2012, as part of the disposal of equity interest in Samstrong Group, the Group has assigned the loan to and amount due from an associate to the Buyer as further detailed in note 34.

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	THE COMPANY	
	2012 HK$'000	2011 HK$'000
Amounts due from subsidiaries	**731,754**	480,230
Less: Impairment losses recognised	**(4,388)**	(4,388)
Amounts due from subsidiaries, net	**727,366**	475,842
Less: Amounts recoverable within one year classified as current assets	**(711,643)**	(177,818)
Amounts recoverable after one year classified as non-current assets	**15,723**	298,024

Included in the amounts due from subsidiaries are amounts of HK$15,723,000 (2011: HK$298,024,000) which are unsecured, interest-free and not expected to be repaid within the next twelve months from the end of the reporting period. Accordingly, the amounts are classified as non-current assets. The remaining balance is unsecured, interest-free and repayable on demand. The balances are measured at amortised cost using effective interest method at effective interest rate of 2% (2011: 2%) per annum.

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(continued)*

As at 31 December 2012, the directors of the Company assessed the recoverable amount of the Company's amounts due from subsidiaries with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period. Based on the impairment assessment, no further impairment loss has been recognised in the financial statements of the Company (2011: nil).

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

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Club debentures, at fair value	**1,717**	2,158
Unlisted equity securities, at cost	**9,360**	—
	11,077	2,158

Available-for-sale financial assets as at 31 December 2012 includes club debentures with net carrying amount of HK$1,717,000 (2011: HK$2,158,000), which are stated at fair value.

The remaining balances of HK$9,360,000 (2011: nil) represents investment in unlisted equity securities, which are stated at cost less impairment, if any. The directors of the Company are of the opinion that the range of reasonable fair value estimates is so significant that its fair values cannot be measured reliably. The Group does not intend to dispose of these unlisted equity securities in the near future.

23. PROPERTIES HELD FOR SALE

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Properties held for sale		
— Prepaid lease payments for land use right	**5,918**	5,873
— Buildings	**13,404**	13,236
	19,322	19,109

The carrying amount of prepaid lease payments for land use right of HK$5,918,000 (2011: HK$5,873,000) included in properties held for sale represents interest in land held by the Group under long lease.

As at 31 December 2012, none of the Group's properties held for sale has been pledged to secure the banking facilities granted to the Group. As at 31 December 2011, certain properties held for sale with a carrying amount of HK$14,639,000 were pledged to secure the banking facilities granted to the Group (note 38).

24. INVENTORIES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Trading merchandises	**146,199**	22,287

25. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables, net *(note (a))*	**268,876**	621,383	**—**	—
Prepayments, deposits and other receivables, net *(note (b))*	**55,108**	48,218	**528**	499
	323,984	669,601	**528**	499
Less: Trade and other receivables recoverable within one year classified as current assets	**(307,809)**	(669,601)	**(528)**	(499)
Other receivables recoverable after one year classified as non-current assets	**16,175**	—	**—**	—

25. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and bills receivables

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bills receivables	**272,425**	622,060	**—**	—
Less: Allowance for doubtful debts *(note (c))*	**(3,549)**	(677)	**—**	—
Trade and bills receivables, net	**268,876**	621,383	**—**	—

A significant portion of the Group's bills receivables are on sight letter of credit, usance letter of credit up to a tenor of 365 days and bank's acceptance bills up to a tenor of 30 to 60 days (2011: 180 days). For other trade receivables, the Group allows a credit period ranging from 30 to 90 days (2011: 30 to 90 days). Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

During the year ended 31 December 2012, the Group discounted part of its bills receivables with full recourse to financial institutions. In the event the discounted bills receivables were defaulted, the Group is obliged to pay the financial institutions the amount in default. Interest is charged at 3% (2011: 1.41% to 3.20%) per annum on the proceeds received from the financial institutions until the date of settlement of the bills receivables. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted bills receivables. At 31 December 2012, bills receivables of HK$187,796,000 (2011: HK$493,263,000) continued to be recognised in the Group's financial statements even though they had legally been transferred to the financial institutions. The proceeds of the discounting transactions of HK$187,796,000 (2011: HK$487,048,000) are included in borrowings as asset-backed financing (note 30) until the bills receivables are collected or the Group settles any losses suffered by the financial institutions. Because the bills receivables have been transferred to the financial institutions legally, the Group did not have the authority to determine the disposition of the bills receivables.

25. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade and bills receivables *(continued)*

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts), based on invoice date, as of the end of the reporting period is as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
0–30 days	**27,090**	209,297
31–60 days	**22,240**	19,909
61–90 days	**919**	7,628
91–120 days	**57,009**	58,943
Over 120 days	**161,618**	325,606
	268,876	621,383

The ageing of trade and bills receivables which are past due but not impaired are as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Over 120 days	**30,774**	32,437

As at 31 December 2012, trade and bills receivables of HK$238,102,000 (2011: HK$588,946,000) are neither past due nor impaired. These relate to a large number of unrelated customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

Trade receivables that were past due but not impaired at the end of the reporting period relate to a customer, Guangzhou Jinhe Feed Company Limited ("Jinhe") and further details are set out in note (c).

25. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Prepayments, deposits and other receivables

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits	**5,848**	5,226	**528**	499
Other receivables	**50,016**	42,992	**—**	—
	55,864	48,218	**528**	499
Less: Allowance for doubtful debts *(note (c))*	**(756)**	—	**—**	—
	55,108	48,218	**528**	499

Other receivables recoverable after one year classified as non-current assets as at 31 December 2012 amounting to HK$16,175,000 represents outstanding consideration in relation to the disposal of Samstrong Group, which is subject to claims by the Buyer and the unclaimed amount will be settled by the Buyer after eighteen months from the date of disposal. Further details of the disposal are set out in note 34.

(c) Impairment of trade and other receivables

The movement in the allowance for doubtful debts is as follows:

	THE GROUP			
	Trade and bills receivables		Other receivables	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at 1 January	**677**	594	**—**	—
Impairment losses recognised	**2,825**	83	**748**	—
Exchange realignment	**47**	—	**8**	—
Balance at 31 December	**3,549**	677	**756**	—

Impairment provision made at the end of the reporting period relates to:

(i) trade and other receivables due from Jinhe of HK$45,817,000, of which HK$2,630,000 has been provided; and

(ii) trade receivables due from customers of HK$1,675,000 which have been fully provided as the customers are in financial difficulties.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date.

25. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Impairment of trade and other receivables *(continued)*

At 31 December 2012, included in trade receivables and other receivables are carrying amounts of HK$32,648,000 (2011: HK$32,396,000) and HK$13,169,000 (2011: HK$13,067,000) respectively, due from a customer, Jinhe. These receivables are past due as at the reporting date and allowance for doubtful debts amounting to HK$2,630,000 (2011: nil) in aggregate has been provided for these balances. The Group holds a guarantee from Mr. Wang Xianning (the "Guarantor") who pledged all his rights and interests in a property investment project (the "Collateral") to secure the receivables from Jinhe.

The Group has commenced legal proceedings against Jinhe, the Guarantor and Mr. Wong Hiuman (who shares joint and several liabilities over the payment obligation of Jinhe under the fishmeal trading contracts).

On 29 March 2011, the Shanghai No. 2 Intermediate People's Court (the "Shanghai Court") accepted the Group's writ application against Jinhe (as first defendant), together with Mr. Wong Hiuman (as second defendant who shares joint and several liabilities over the payment obligation of Jinhe under the fishmeal trading contracts) and the Guarantor (as third defendant) (collectively referred to as the "Defendants").

On 31 March 2011, the Group obtained an assets preservation order (the "First Order") from the Shanghai Court to seal up certain assets, including the Collateral, of the Defendants. The Group had paid RMB5,536,000 to the Shanghai Court and sealed up certain buildings, land use rights and properties held for sale with carrying amounts of HK$2,659,000, HK$279,000 and HK$1,356,000 respectively as guarantee for the application of the First Order.

On 13 November 2011, the Group withdrew the writ application against the Guarantor from the Shanghai Court and made an arbitration application to the China International Economic and Trade Arbitration Commission, Shanghai Sub-Commission (the "Arbitration Commission") against the Guarantor. The Group sought for judgment from the Arbitration Commission to request the Guarantor to reimburse the Group for amounts due from Jinhe. On the same date, the Collateral was released from the First Order.

On 28 November 2011, the Group, through the application to the Arbitration Commission, obtained an assets preservation order (the "Second Order") from the Heyuan Intermediate People's Court (the "Heyuan Court") to seal up the Collateral pledged by the Guarantor. The Group has charged a time deposit amount to RMB13,500,000, equivalent to approximately HK$16,789,000 (2011: HK$16,659,000) (note 28) to the Heyuan Court as guarantee for the application of the Second Order.

On 1 December 2011 and 10 January 2012, hearings were held in the Shanghai Court in relation to the legal proceedings.

On 11 January 2012, the first hearing was held by the Arbitration Commission.

On 13 June 2012, the Shanghai Court released (i) the amount paid by the Group to it of RMB5,536,000; and (ii) certain properties held for sale which had been held by the Shanghai Court as guarantee for the First Order granted by the Shanghai Court on 31 March 2011.

On 27 August 2012, the Higher People's Court of Shanghai appointed an independent accounting firm to carry out judicial audit for the claims made by the Group against Jinhe.

25. TRADE AND OTHER RECEIVABLES *(continued)*

(c) Impairment of trade and other receivables *(continued)*

Up to the date of this report, the judicial audit has been substantially completed. The next Shanghai Court hearing is expected to be held after the completion of the judicial audit, whereas the next hearing in the Arbitration Commission is expected to be held after further hearing in the Shanghai Court.

Based on the advice of the Group's legal counsel, the management is optimistic that the Group is able to recover the amounts due from Jinhe. However, having considered the time needed for the judiciary to come up with final decision and for the execution of orders, the management has discounted the receivable balances using a pre-tax discount rate of 3% for a period of two years to reflect the time value of money. As a result of the discount, the carrying value of the trade receivables and other receivables due from Jinhe are reduced by HK$1,874,000 and HK$756,000 respectively (2011: nil).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Equity securities held for trading, at fair value		
— Listed in Hong Kong	**2,730**	—
— Listed outside Hong Kong	**10,918**	—
	13,648	—

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges described in note 41(i).

27. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP			
	Current		Non-current	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Derivative financial assets				
Foreign currency non-deliverable forward contracts	**152**	1,866	—	574
Interest rate swaps	—	1,425	—	—
	152	3,291	—	574
Derivative financial liabilities				
Foreign currency non-deliverable forward contracts	**532**	7,633	—	—
Foreign currency deliverable forward contracts	—	673	—	—
Interest rate swaps	**2,519**	5,809	—	1,527
	3,051	14,115	—	1,527

Foreign currency non-deliverable forward contracts

The Group entered into a number of foreign currency non-deliverable forward contracts to manage its currency fluctuation exposures. These instruments are to be settled on net basis on the maturity dates of the instruments and details are set out as follows:

(i) At 31 December 2012, the total notional amount of the non-deliverable forward contracts which purchase USD and sell RMB amounted to USD9,115,000 (2011: USD88,035,000). The maturity of the contracts ranges from three months to five months (2011: one month to seventeen months) subsequent to the end of the reporting period. The contract rates range from RMB6.28: USD1 to RMB6.38: USD1 (2011: RMB6.28: USD1 to RMB6.48: USD1).

(ii) At 31 December 2011, the total notional amount of the non-deliverable forward contracts which purchased RMB and sold USD amounted to USD17,562,000. The contract rate was RMB6.34: USD1. These contracts were matured during the year ended 31 December 2012.

(iii) At 31 December 2011, the notional amount of a non-deliverable forward contract which purchased HK$ and sold RMB amounted to HK$97,453,000. The contract rate was RMB0.83: HK$1. The contract was matured during the year ended 31 December 2012.

At 31 December 2012, the fair value of the Group's foreign currency non-deliverable forward contracts is estimated to be financial assets and financial liabilities of approximately HK$152,000 (2011: HK$2,440,000) and HK$532,000 (2011: HK$7,633,000) respectively.

27. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Foreign currency deliverable forward contracts

During the year ended 31 December 2011, the Group entered into a number of foreign currency deliverable forward contracts to manage its currency fluctuation exposures. The notional amount of instruments which purchased USD and sold RMB and were to be settled on gross basis on the maturity dates of the instruments amounted to USD17,457,000. The contract rate was at RMB6.38: USD1 and the contracts were matured during the year ended 31 December 2012. The fair value of the Group's foreign currency deliverable forward contracts as at 31 December 2011 was estimated to be financial liabilities of approximately HK$673,000. At 31 December 2012, the Group does not have any outstanding foreign currency deliverable forward contracts.

Interest rate swaps

During the years ended 31 December 2011 and 2012, the Group had a number of interest rate swap contracts to minimise its exposure to interest rate fluctuation of its USD and HK$ variable-rate borrowings by swapping a portion of the variable-rate borrowings to fixed rates. These instruments are to be settled on net basis on the maturity dates of the instruments and details are set out as follows:

(i) At 31 December 2012, the total notional amount of the interest rate swap contracts which swap interest rate from floating rates at London Inter Bank Offered Rate ("LIBOR") plus 55 basis points (2011: zero to 251 basis points) per annum to fixed rates at 1.65% (2011: ranging from 1.09% to 3.20%) per annum amounted to USD2,652,000 (2011: USD76,573,000). The maturity of the contracts was three months (2011: ranges from one month to seventeen months) subsequent to the end of the reporting period.

(ii) At 31 December 2012, the total notional amount of the interest rate swap contracts which swap interest rate from floating rates at Hong Kong Inter Bank Offered Rate ("HIBOR") plus 100 basis points (2011: 65 to 165 basis points) per annum to fixed rate at 2.08% (2011: ranging from 1.12% to 2.40%) per annum amounted to HK$49,299,000 (2011: HK$176,957,000). The maturity of the contracts was five months (2011: ranges from one month to fifteen months) subsequent to the end of the reporting period.

At 31 December 2012, the fair value of the Group's interest rate swap contracts is estimated to be financial assets and financial liabilities of approximately nil (2011: HK$1,425,000) and HK$2,519,000 (2011: HK$7,336,000) respectively.

28. PLEDGED BANK DEPOSITS/STRUCTURED BANK DEPOSITS/RESTRICTED BANK DEPOSIT/BANK BALANCES AND CASH

The Group

Pledged bank deposits of HK$92,449,000 (2011: HK$616,494,000) held by the Group carry prevailing market interest rates ranging from 2.65% to 3.10 % (2011: 4.50%) per annum. The deposits are pledged to secure certain undrawn facilities and certain bank borrowings which are repayable within twelve months from the end of the reporting period and accordingly, the pledged bank deposits are classified as current assets.

The structured bank deposits were principal-protected yield enhancement bank deposits carrying a minimum interest rate ranging from 1.20% to 2.20% (2011: 1.20% to 3.56%) per annum and can be enhanced to a maximum interest rate ranging from 4.40% to 5.30% (2011: 3.60% to 5.70%) per annum which is to be determined by reference to the market exchange rate of USD/Australian Dollar ("AUD") or USD/Euro ("EUR") (2011: USD/EUR or USD/HK$) during a pre-determined period ranging from three months to twelve months (2011: one month to twelve months). The structured bank deposits contained embedded derivatives representing a return which would vary with prevailing market exchange rate of USD/AUD or USD/EUR (2011: USD/EUR or USD/HK$). The directors of the Company consider that the fair value of the embedded derivative and the cap is minimal and hence no derivative financial instrument is recognised. Certain structured bank deposits with carrying value of HK$187,883,000 (2011: HK$250,077,000) were pledged against bank borrowings (note 38).

Restricted bank deposit as at 31 December 2011 represented a time deposit with original maturity of two years up to November 2013 charged to the Heyuan Court as guarantee for the application of the Second Order to seal up the Collateral pledged by the Guarantor (details are set out in note 25(c)). The restricted bank deposit carries fixed interest rate at 4.40% per annum. Such restricted bank deposit is reclassified as current assets at 31 December 2012.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rates ranging from 0.01% to 1.11% (2011: 0.01% to 3.10%) per annum.

The Company

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The bank balances carry prevailing market interest rate at 0.01% (2011: 0.01%) per annum.

29. TRADE AND BILLS PAYABLES

At the end of the reporting period, an ageing analysis of trade and bills payables based on invoice date is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
0–30 days	**108,933**	132,955	**—**	—
31–60 days	**20,367**	19,856	**—**	—
91–120 days	**57,695**	58,326	**—**	—
Over 120 days	**131,357**	283,275	**—**	—
	318,352	494,412	**—**	—

A significant portion of the Group's bills payables are on usance letter of credit up to a tenor of 365 days. For other trade payables, the average credit period is 30 days (2011: 30 days). No interest is charged by the trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

30. BORROWINGS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured				
Bank loans	**250,194**	650,651	**67,737**	78,491
Liabilities associated with bills receivables discounted with full recourse	**187,796**	487,048	**—**	—
	437,990	1,137,699	**67,737**	78,491

30. BORROWINGS *(continued)*

The analysis of the carrying amounts of borrowings is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank loans repayable within one year	**279,594**	887,502	**10,812**	10,753
Bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	**—**	69,985	**—**	—
	279,594	957,487	**10,812**	10,753
Non-current liabilities				
Bank loans repayable after one year	**158,396**	180,212	**56,925**	67,738
	437,990	1,137,699	**67,737**	78,491

The analysis of borrowings by scheduled repayment is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**279,594**	887,502	**10,812**	10,753
More than one year, but not exceeding two years	**21,955**	91,779	**10,861**	10,803
More than two years, but not exceeding five years	**56,236**	62,650	**27,233**	31,515
More than five years	**80,205**	95,768	**18,831**	25,420
	437,990	1,137,699	**67,737**	78,491

Include in the Group's and the Company's borrowings as at 31 December 2012 are variable-rate borrowings of HK$250,194,000 (2011: HK$650,651,000) and HK$67,737,000 (2011: HK$78,491,000), respectively, which carry interest at HIBOR or LIBOR plus certain basis points (2011: at the lending rate quoted by the People's Bank of China, or at HIBOR or LIBOR plus certain basis points) and thus are subject to cash flow interest rate risk. As at 31 December 2012, the Group's fixed-rate borrowings of HK$187,796,000 (2011: HK$487,048,000) representing discounted bills receivables with recourse carry interest rate at 3% (2011: 1.41% to 3.20%) per annum.

30. BORROWINGS *(continued)*

The effective interest rates per annum at the end of the reporting period on the borrowings of the Group and the Company were as follows:

	THE GROUP			THE COMPANY	
	HK$	US$	RMB	HK$	US$
As at 31 December 2012					
Variable-rate borrowings:					
Bank loans	**1.40%**	**2.20%**	**3.66%**	**1.02%**	**1.35%**
Fixed-rate borrowings:					
Liabilities associated with bills receivables discounted with full recourse	**0.32%**	**1.53%**	**2.85%**	**—**	**—**
As at 31 December 2011					
Variable-rate borrowings:					
Bank loans	1.53%	1.35%	6.72%	1.03%	1.38%
Fixed-rate borrowings:					
Liabilities associated with bills receivables discounted with full recourse	—	2.50%	—	—	—

Bank borrowings are secured by certain investment properties, land and buildings, properties held for sale, bills receivables, bank deposits and structured bank deposits as further detailed in note 38. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings.

The Group's and the Company's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
HK$	**65,862**	198,960	**16,563**	21,003
RMB	**187,796**	71,842	**—**	—

30. BORROWINGS *(continued)*

At the end of the reporting period, the Group and the Company have the following undrawn borrowing facilities:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Floating rate				
— Expiring within one year	**1,837,504**	1,889,926	**1,042,900**	1,223,572

The facilities expiring within one year are annual facilities subject to review at various dates during 2013.

31. SHARE CAPITAL

Shares

	Number of shares	Nominal value
		HK$'000
Ordinary shares of HK$0.2 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	500,000,000	100,000
Issued and fully paid:		
At 1 January 2011, 31 December 2011 and 31 December 2012	261,684,910	52,337

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or any invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity of the Company; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

31. SHARE CAPITAL *(continued)*

Share options *(continued)*

The total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "Limit") must not in aggregate exceed 26,168,491 shares, representing 10% of the ordinary shares of the Company in issue as at the date of this annual report. The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in the 12-month period up to and including the date of such further grant in excess of this Limit is subject to shareholders' approval in a general meeting.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is proposed to be a grantee. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the board of directors, save that such a period shall not be more than 10 years from the date of offer of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the board of directors at its sole discretion, there is no requirement of minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options is determinable by the board of directors, but shall not be less than the highest 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 the share options which must be a trading day;

(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; and

(iii) the nominal value of the Company's shares.

No share options have been granted under the Scheme since its adoption.

32. RESERVES

The Group

The nature of reserves is as follows:

Share premium

Share premium represents the excess of the amount paid for subscription of shares over the nominal value.

Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.15.

Properties revaluation reserve

Properties revaluation reserve represents gains or losses arising on the revaluation of properties (other than investment properties).

Investment revaluation reserve

Investment revaluation reserve represents gains or losses arising on remeasuring financial assets classified as available-for-sale financial assets at fair value.

The Company

Details of the amounts on the Company's reserves are as follows:

	Share premium	**Retained profits**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2011	19,516	129,318	148,834
Profit for the year	—	8,939	8,939
2010 final dividend paid *(note 14)*	—	(2,617)	(2,617)
At 31 December 2011 and 1 January 2012	19,516	135,640	155,156
Profit for the year	—	344,395	344,395
2011 final dividend paid *(note 14)*	—	(2,617)	(2,617)
At 31 December 2012	**19,516**	**477,418**	**496,934**

33. DEFERRED TAXATION

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the two years ended 31 December 2012 and 2011:

	THE GROUP			
	Accelerated tax depreciation	**Revaluation of investment properties**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011, as previously reported	7,087	97,161	(950)	103,298
Prior year adjustment in respect of change in accounting policy *(note 2.1)*	—	(60,956)	—	(60,956)
At 1 January 2011, as restated	7,087	36,205	(950)	42,342
Exchange realignment	273	1,637	—	1,910
Charged to profit or loss, as previously reported	1,079	12,632	342	14,053
Prior year adjustment in respect of change in accounting policy *(note 2.1)*	—	(8,105)	—	(8,105)
Charged to profit or loss, as restated	1,079	4,527	342	5,948
At 31 December 2011 and 1 January 2012, as restated	8,439	42,369	(608)	50,200
Exchange realignment	62	344	—	406
Charged to profit or loss	787	1,322	361	2,470
At 31 December 2012	**9,288**	**44,035**	**(247)**	**53,076**

33. DEFERRED TAXATION *(continued)*

Represented by:

	At 31 December 2012 HK$'000	At 31 December 2011 HK$'000 (Restated)	At 1 January 2011 HK$'000 (Restated)
Deferred tax liabilities	**53,076**	50,200	42,342

As at 31 December 2012, the Group has unused tax losses of HK$98,794,000 (2011: HK$118,101,000) available for offset against future profits. A deferred tax asset of approximately HK$247,000 (2011: HK$608,000) has been recognised in respect of approximately HK$1,502,000 (2011: HK$3,685,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$97,292,000 (2011: HK$114,416,000) due to the unpredictability of future profit streams. Losses amounting to HK$49,998,000 (2011: HK$104,565,000) will expire from 2013 to 2017 (2011: 2012 to 2016) and losses amounting to HK$48,796,000 (2011: HK$13,536,000) have no expiry date.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries amounting to HK$877,000 (2011: HK$795,000) as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such profits in the foreseeable future.

34. DISPOSAL OF ASSOCIATES

On 11 July 2012, the Group entered into a sale and purchase agreement (the "Disposal Agreement") with an independent third party (the "Buyer") in relation to the disposal of 43% of the issued share capital of Samstrong at a selling price of approximately RMB365,500,000 (equivalent to approximately HK$450,429,000).

Before the disposal, the companies under Samstrong Group were associates of the Group in which the Group held 43% interests (note 20).

The selling price of RMB365,500,000 (equivalent to approximately HK$450,429,000) comprises consideration for transferring the equity interests in Samstrong Group amounting to approximately RMB313,623,000 (equivalent to approximately HK$386,497,000) and consideration for assigning the loan to and amount due from an associate to the Buyer ("Debt Assignment") amounting to approximately RMB51,877,000 (equivalent to approximately HK$63,932,000). The disposal was completed in October 2012. The gain arising from the disposal after deducting direct expenses and tax was included as "Gain on disposal of associates after deducting direct expenses and tax" in the consolidated income statement and is calculated as follows:

	2012 HK$'000
Selling price pursuant to the Disposal Agreement	450,429
Less: Consideration for Debt Assignment	(63,932)
Consideration for transferring equity interests in Samstrong Group	386,497
Net carrying value of interests in associates disposed of	(252,115)
Reclassification from exchange reserve attributable to Samstrong Group	21,540
Gain on disposal	155,922
Less: expenses and tax directly related to the disposal	(60,460)
Gain on disposal after deducting direct expenses and tax	95,462

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Samstrong Group and Debt Assignment is as follows:

	2012 HK$'000
Consideration for transferring equity interests in Samstrong Group	367,261
Consideration for Debt Assignment	60,750
	428,011

During the year ended 31 December 2012, Samstrong Group did not contribute any revenue but contributed net profit of HK$107,382,000 to the Group. The Group's share of results of Samstrong Group for the period from 1 January 2012 up to the date of disposal was HK$107,382,000, which mainly represented share of fair value gain on the investment properties held by Samstrong Group.

35. GUARANTEES

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Corporate guarantees given to banks in respect of banking facilities given to subsidiaries	**2,004,412**	2,269,630

Included in the Company's other payables and accrued expenses of HK$7,395,000 (2011: HK$7,395,000) are liabilities recognised in relation to the abovementioned guarantees given to banks in respect of banking facilities utilised by its subsidiaries.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Within one year	**430**	1,483
In the second to fifth year inclusive	**37**	437
	467	1,920

Operating lease payments represent rental payable by the Group for certain land and buildings. Leases for these land and buildings are negotiated for terms of one to three (2011: one to three) years with fixed rentals.

36. OPERATING LEASE ARRANGEMENTS *(continued)*

The Group as lessor

The Group leases its investment properties and at the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Within one year	**30,411**	32,828
In the second to fifth year inclusive	**58,970**	70,026
Over five years	**8,392**	17,305
	97,773	120,159

Leases are negotiated for an average term ranging from one to ten (2011: one to ten) years with fixed rentals over the terms of the leases.

37. RETIREMENT BENEFIT SCHEME

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

Employees who were members of a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance prior to the establishment of the MPF Scheme were required to switch to the MPF Scheme from 1 December 2000 onwards, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK$1,250 (Before 1 June 2012: HK$1,000) per month whichever is the smaller to the scheme.

The employees of the subsidiaries of the Company which operates in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to the consolidated income statement of HK$231,000 (2011: HK$241,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

38. PLEDGE OF ASSETS

At 31 December 2012, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure for banking facilities:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Investment properties *(note 16)*	**799,487**	932,447
Leasehold land and buildings *(note 17)*	**42,230**	42,705
Properties held for sale *(note 23)*	**—**	14,639
Pledged bank deposits *(note 28)*	**92,449**	616,494
Structured bank deposits *(note 28)*	**187,883**	250,077
Bills receivables *(note 25(a))*	**187,796**	493,263

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

(a) The Group's and the Company's balances with related parties are set out in the statements of financial position and notes 20 and 21.

(b) Key management compensation was as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Fees	**700**	610
Salaries and other benefits	**13,259**	8,369
Retirement benefit costs — defined contribution plans	**44**	65
	14,003	9,044

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 30 net of cash and cash equivalents and pledged bank deposits and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in note 32 and consolidated statement of changes in equity, respectively.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged from that of 2011.

41. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.12.

(b) Categories of financial instruments

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Held for trading	**13,800**	3,865
Loans and receivables (including cash and cash equivalents)	**1,137,268**	1,718,472
Available-for-sale financial assets	**11,077**	2,158
	1,162,145	1,724,495
Financial liabilities		
Financial liabilities at amortised cost	**846,395**	1,650,155
Financial liabilities at fair value through profit or loss		
— Held for trading	**3,051**	15,642
	849,446	1,665,797

41. FINANCIAL INSTRUMENTS *(continued)*

(b) Categories of financial instruments *(continued)*

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**735,743**	538,559
Financial liabilities		
Financial liabilities at amortised cost	**328,180**	413,610
Financial guarantee contracts	**7,395**	7,395

(c) Financial risk management objectives

The management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group entered into certain foreign currency forward contracts and interest rate swap contracts to reduce the currency fluctuation exposures and interest rate risk exposures of the Group as set out in note 27.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures.

(d) Foreign currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk.

41. FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk *(continued)*

(i) Non-derivative foreign currency monetary assets and monetary liabilities

Certain bills receivables, bank balances, pledged bank deposits, other payables and borrowings of the Group are denominated in currencies other than the functional currency of the group entities. Certain bank balances, amounts due from/to subsidiaries, other payables and borrowings of the Company are denominated in currencies other than the functional currency of the Company. The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

THE GROUP

	Assets		Liabilities	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
HK$	**11,150**	746	**105,941**	199,226
USD	**234,388**	5,286	**—**	—
RMB	**282,934**	887,340	**195,413**	72,228
Taiwan Dollars ("TWD")	**10,986**	—	**—**	—

THE COMPANY

	Assets		Liabilities	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
HK$	**16,595**	240,850	**181,376**	199,487
RMB	**40,755**	26,559	**38,146**	9,880

Foreign currency sensitivity

The Group is mainly exposed to the currency of HK$, USD, RMB and TWD. The Company is mainly exposed to the currency of HK$ and RMB. As HK$ is pegged against USD, exchange risk in respect of these currencies is considered insignificant.

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the functional currencies of the relevant group entities and the Company against the relevant foreign currencies excluding HK$ against USD. 10% (2011: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary assets net with liabilities and adjusts their translation at the period end for a 10% (2011: 10%) change in foreign currency rates.

41. FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk *(continued)*

(i) Non-derivative foreign currency monetary assets and monetary liabilities (continued)

	THE GROUP Increase/(Decrease) in profit for the year	
	2012 HK$'000	2011 HK$'000
Functional currency appreciated by 10%:		
HK$	**65**	74
USD	**(23)**	(441)
RMB	**(7,308)**	(68,062)

	THE COMPANY Increase/(Decrease) in profit for the year	
	2012 HK$'000	2011 HK$'000
Functional currency appreciated by 10%:		
RMB	**(218)**	(1,393)

A 10% depreciation in the functional currencies of the Company and the respective group companies against respective foreign currencies would have the same magnitude on profit but of opposite effect.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

(ii) Foreign currency forward contracts

During the current and last years, the Group had several foreign currency forward contracts with banks to reduce its exposure to currency fluctuations risk of HK$ and USD against RMB (note 27). These derivatives are not accounted for under hedge accounting. The Group is required to estimate the fair value of the foreign currency forward contracts at the end of the reporting period, which therefore exposed the Group to foreign currency risk.

41. FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk *(continued)*

(ii) Foreign currency forward contracts *(continued)*

Foreign currency sensitivity

The sensitivity analyses below have been determined based on the exposure to the Group's forward buying rate risk at the reporting date.

If the forward exchange rate of RMB against USD had been 10% (2011: 10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would increase/(decrease) as follows:

	2012 **HK$'000**	2011 HK$'000
Higher by 10%		
Derivative financial instruments: Foreign currency forward contracts	**6,469**	86,907
Lower by 10%		
Derivative financial instruments: Foreign currency forward contracts	**(7,907)**	(106,186)

As at 31 December 2012, there was no outstanding foreign currency forward contracts to sell/purchase HK$ and to purchase/sell RMB and accordingly, no sensitivity analysis illustrating the effect of a change in forward exchange rate of RMB against HK$ is presented. As at 31 December 2011, if the forward exchange rate of RMB against HK$ had been 10% (2011: 10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would increase/(decrease) as follows:

	2011 HK$'000
Higher by 10%	
Derivative financial instruments: Foreign currency forward contracts	9,135
Lower by 10%	
Derivative financial instruments: Foreign currency forward contracts	(11,165)

(iii) Embedded derivatives in structured bank deposits

The Group is also required to estimate the fair value of the embedded derivatives in structured bank deposits at the end of the reporting period, which therefore exposed the Group to foreign currency risk. However, the directors of the Company consider that the fair value of the embedded derivatives is minimal and hence no sensitivity analysis is presented.

41. FINANCIAL INSTRUMENTS *(continued)*

(e) Interest rate risk

(i) Non-derivative financial assets and financial liabilities

The Group and the Company are exposed to fair value interest rate risk in relation to interest-free balances, including balances with subsidiaries, loan to and amount due from an associate and fixed-rate pledged bank deposits, restricted bank deposit, structured bank deposits and borrowings.

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate borrowings (note 30) and bank balances.

The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 (2011: 50) basis point increase and a 10 (2011: 10) basis points decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

The Group

If interest rates had been 50 (2011: 50) basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease by HK$1,045,000 (2011: HK$2,712,000). If interest rates had been 10 (2011: 10) basis points lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would increase by HK$209,000 (2011: HK$542,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Company

If interest rates had been 50 (2011: 50) basis points higher and all other variables were held constant, the Company's profit for the year ended 31 December 2012 would decrease by HK$283,000 (2011: HK$328,000). If interest rates had been 10 (2011: 10) basis points lower and all other variables were held constant, the Company's profit for the year ended 31 December 2012 would increase by HK$57,000 (2011: HK$66,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate borrowings.

41. FINANCIAL INSTRUMENTS *(continued)*

(e) Interest rate risk *(continued)*

(ii) Derivative financial assets and liabilities

During the current and last years, the Group had several interest rate swap contracts with banks (note 27) to reduce its exposure to interest rate risk in relation to variable-rate borrowings. These derivatives are not accounted for under hedge accounting. The Group is required to estimate the fair value of the interest rate swap contracts at the end of the reporting period, which therefore exposed the Group to interest rate risk.

Interest rate sensitivity

The Group

If forward interest rates had been 10 (2011: 10) basis points higher and all other variable were held constant, the Group's profit for the year ended 31 December 2012 would increase by HK$140,000 (2011: HK$21,000). If forward interest rates had been 10 (2011: 10) basis points lower and all other variable were held constant, the Group's profit for the year ended 31 December 2012 would decrease by HK$140,000 (2011: HK$21,000).

(f) Other price risk

The Group is required to estimate the fair value of those available-for-sale financial assets carried at fair value, representing club debentures as well as the financial assets at fair value through profit or loss, representing listed equity securities at the end of the reporting period, therefore, the Group is exposed to price risk arising from its available-for-sale financial assets and financial assets at fair value through profit or loss.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If the prices of the club debentures and listed equity securities had been 10% (2011: 10%) higher while all other variables were held constant, investment revaluation reserve would increase by HK$158,000 (2011: HK$198,000) and profit for the year would increase by HK$1,376,000 (2011: HK$17,800) mainly as a result of the increase in the fair value on available-for-sale financial assets as well as financial assets at fair value through profit or loss and impairment loss reversed on available-for-sale financial assets.

If the prices of the club debentures and listed equity securities had been 10% (2011: 10%) lower while all other variables were held constant, investment revaluation reserve would decrease by HK$158,000 (2011: HK$198,000) and profit for the year would decrease by HK$1,376,000 (2011: HK$17,800) mainly as a result of decrease in fair value on available-for-sale financial assets as well as financial assets at fair value through profit or loss and impairment loss on available-for-sale financial assets.

41. FINANCIAL INSTRUMENTS *(continued)*

(g) Credit risk

As at 31 December 2012, the Group's and the Company's maximum exposures to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company, without taking into account of the value of any collateral obtained, are arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the Company's statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 35.

As at 31 December 2012, the Group does not have any concentration of credit risk in respect of loan to and amount due from an associate as the amounts have been fully settled in the form of Debt Assignment to the Buyer. As at 31 December 2011, the Group had concentration of credit risk on loan to and amount due from an associate and the aggregate carrying amount of balances due was HK$61,968,000.

In respect of trade and bills receivables, the Group has concentration of credit risks as 9% (2011: 4%) and 10% (2011: 13%) of those receivables were due from the Group's largest customer and the five largest customers respectively.

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties, as a mean of mitigating the risk of financial loss from defaults. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by credit limit allowed to counterparty that are reviewed and approved by the risk management committee annually.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 100% (2011: 99%) of the total trade and bills receivables as at 31 December 2012.

As at 31 December 2012, the maximum exposure to credit risk in respect of financial guarantees issued by the Company was HK$2,004,412,000 (2011: HK$2,269,630,000) which represented the Company's maximum amount the Company could be required to pay if the guarantees were called on. The carrying amount of financial guarantees issued by the Company is disclosed in note 35.

41. FINANCIAL INSTRUMENTS *(continued)*

(h) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and undrawn borrowing facilities by continuously monitoring forecast and actual cash flows. The Group and the Company rely on bank borrowings as a significant source of liquidity. As at 31 December 2012, the Group and the Company have available unutilised overdraft and short-term bank loan facilities of approximately HK$1,837,504,000 (2011: HK$1,889,926,000) and HK$1,042,900,000 (2011: HK$1,223,572,000) respectively. Details of borrowings are set out in note 30.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment dates. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that required gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

41. FINANCIAL INSTRUMENTS *(continued)*

(h) Liquidity risk *(continued)*

Liquidity tables

The Group

	On demand or less than 60 days HK$'000	61–180 days HK$'000	181–365 days HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
As at 31 December 2012								
Non-derivative financial liabilities								
Trade and bills payables	130,556	—	187,796	—	—	—	318,352	318,352
Other payables	82,140	—	—	—	—	—	82,140	82,140
Bank loans								
— variable rate#	4,103	78,363	12,255	24,381	24,207	122,515	265,824	250,194
Rental deposits received	1,010	344	1,728	1,627	253	2,951	7,913	7,913
	217,809	78,707	201,779	26,008	24,460	125,466	674,229	658,599
Derivative								
— net settlement								
Foreign currency forward contracts	—	532	—	—	—	—	532	532
Interest rate swaps	—	2,519	—	—	—	—	2,519	2,519
	—	3,051	—	—	—	—	3,051	3,051

41. FINANCIAL INSTRUMENTS *(continued)*

(h) Liquidity risk *(continued)*

Liquidity tables *(continued)*

The Group *(continued)*

	On demand or less than 60 days	61–180 days	181–365 days	1–2 years	2–3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011								
Non-derivative financial liabilities								
Trade and bills payables	152,719	179,582	161,453	—	—	658	494,412	494,412
Other payables	10,556	—	—	—	—	—	10,556	10,556
Bank loans								
— variable rate#	212,290	157,112	110,608	24,329	24,186	146,136	674,661	650,651
Rental deposits received	—	640	1,708	1,960	—	3,180	7,488	7,488
	375,565	337,334	273,769	26,289	24,186	149,974	1,187,117	1,163,107
Derivative								
— net settlement								
Foreign currency forward contracts	6,041	1,058	534	—	—	—	7,633	7,633
Interest rate swaps	2,323	1,916	1,570	1,527	—	—	7,336	7,336
	8,364	2,974	2,104	1,527	—	—	14,969	14,969
Derivative								
— gross settlement								
Foreign currency forward contracts								
Inflow	(136,163)	—	—	—	—	—	(136,163)	
Outflow	137,362	—	—	—	—	—	137,362	
	1,199	—	—	—	—	—	1,199	673

exclude discounted bills which are asset-backed borrowings

41. FINANCIAL INSTRUMENTS *(continued)*

(h) Liquidity risk *(continued)*

Liquidity tables *(continued)*

The Company

	On demand or less than 60 days HK$'000	61–180 days HK$'000	181–365 days HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
As at 31 December 2012								
Non-derivative financial liabilities								
Other payables	**7,202**	**—**	**—**	**—**	**—**	**—**	**7,202**	**7,202**
Bank loans								
— variable rate	**1,936**	**3,865**	**5,781**	**11,501**	**11,422**	**36,188**	**70,693**	**67,737**
Amounts due to subsidiaries	**253,241**	**—**	**—**	**—**	**—**	**—**	**253,241**	**253,241**
	262,379	**3,865**	**5,781**	**11,501**	**11,422**	**36,188**	**331,136**	**328,180**
Financial guarantee contracts	**2,004,412**	**—**	**—**	**—**	**—**	**—**	**2,004,412**	**7,395**

	On demand or less than 60 days HK$'000	61–180 days HK$'000	181–365 days HK$'000	1–2 years HK$'000	2–3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
As at 31 December 2011								
Non-derivative financial liabilities								
Other payables	291	—	—	—	—	—	291	291
Bank loans								
— variable rate	1,955	3,903	5,836	11,610	11,527	47,707	82,538	78,491
Amounts due to subsidiaries	334,828	—	—	—	—	—	334,828	334,828
	337,074	3,903	5,836	11,610	11,527	47,707	417,657	413,610
Financial guarantee contracts	2,269,930	—	—	—	—	—	2,269,930	7,395

41. FINANCIAL INSTRUMENTS *(continued)*

(h) Liquidity risk *(continued)*

As at 31 December 2012, none of the Group's and the Company's bank loans is repayable on demand. As at 31 December 2011, bank loans with a repayment on demand clause are included in the "on demand or less than 60 days" time band in the above maturity analysis and the aggregate undiscounted principal amounts of these bank loans amounted to HK$69,985,000. Taking into account the Group's financial position, the directors did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that such bank loans would be repaid fifteen to seventeen months after 31 December 2011 in accordance with the scheduled repayment dates set out in the loan agreements. As at 31 December 2011, the aggregate principal and interest cash outflows in relation to these bank loans amounted to approximately HK$72,718,000.

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

(i) Fair value of financial instruments

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (including listed equity securities classified as financial assets at fair value through profit or loss and club debentures classified as available-for-sale financial assets);

- the fair values of financial assets and financial liabilities (excluding derivative instruments) which are not quoted in active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

- the fair values of foreign currency forward contracts and embedded derivative in structured bank deposits are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts;

41. FINANCIAL INSTRUMENTS *(continued)*

(i) Fair value of financial instruments *(continued)*

- the fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated and company statements of financial position approximate to their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, by level of fair value hierarchy:

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

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

The Group

	As at 31 December 2012		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Available-for-sale financial assets			
Club debentures	1,717	—	1,717
Financial assets at fair value through profit or loss			
Listed equity securities	13,648	—	13,648
Derivative financial assets	—	152	152
	15,365	152	15,517
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	—	3,051	3,051

41. FINANCIAL INSTRUMENTS *(continued)*

(i) Fair value of financial instruments *(continued)*

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

The Group *(continued)*

	As at 31 December 2011		
	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets			
Club debentures	2,158	—	2,158
Financial assets at fair value through profit or loss			
Derivative financial assets	—	3,865	3,865
	2,158	3,865	6,023
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	—	15,642	15,642

There were no transfers between Level 1 and 2 of the fair value hierarchy in the both years.

Schedule of Principal Properties

Details of the principal properties held by the Group at 31 December 2012 are as follows:

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
HONG KONG				
Shop A2 on Ground Floor East South Building 479-481 Hennessy Road and 29 Percival Street Causeway Bay, Hong Kong	430	Shop premises for rental	100%	Long lease
Shops Nos. G55, G56, G57 and G58 on Ground Floor, Site A Park Lane Shopper's Boulevard 111-139, 143-161 and 165-181 Nathan Road Tsimshatsui, Kowloon	3,032	Shop premises for rental	100%	Long lease
Portions A3 and A4 of Shop A Ground Floor, Hollywood Shopping Centre Wing Wah Building 12-24 Sai Yeung Choi Street South and 40P Shantung Street, Mongkok, Kowloon	326	Shop premises for rental	100%	Long lease
Flat No. 4 on 18th Floor Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road, Hong Kong	1,400	Residential premises for rental	100%	Long lease
Unit F on 57th Floor The Masterpiece K11 No. 18 Hanoi Road, Kowloon	1,247	Residential premises for rental	100%	Medium-term lease
Car park Space No. P20 on 2nd Floor King Kong Commercial Centre, No. 9 Des Voeux Road West, Hong Kong	200	Commercial building	100%	Long lease

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
MAINLAND CHINA				
Unit Nos. 404, 504, 604, 704 and 804 of Block 2, Kingswell Garden Lane 3887 Hong Mei Road Chang Ning District, Shanghai	10,903	Residential premises for rental	100%	Long lease
Unit Nos. 201 to 220 on Level 2 and Nos. 301 to 314 on level 3 of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road Chang Ning District, Shanghai	40,734	Residential premises for rental	100%	Long lease
Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement 1 of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road Chang Ning District, Shanghai	10,958 (club house)	Club house and car parking spaces	100%	Long lease
Shopping Arcade on Level 1 of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road Chang Ning District, Shanghai	16,685	Shopping arcade for rental	100%	Long lease
Unit G 12/F Block 5 Silver Valley Garden Haikou, Hainan	1,162	Residential premises for sale	100%	Long lease
Units 6D, 6E, 14C, 17th, 23rd and 27th Floors, Western Portion of Level 1, Whole Floor of Level 2, Western Portion of Level 3 and Western Portion of Basement Levels 1-3 Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai	95,300	Residential apartments for sale, shopping arcade and carparks for rental	100%	Long lease

Financial Summary

Results:

	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
	Year ended 31 December				
Revenue	**1,691,863**	1,802,709	2,467,033	1,866,805	1,604,840
Cost of sales	**(1,537,789)**	(1,756,770)	(2,278,114)	(1,620,314)	(1,449,221)
Gross profit	**154,074**	45,939	188,919	246,491	155,619
Other income	**26,441**	90,968	50,292	7,541	20,452
Distribution costs	**(48,583)**	(66,539)	(109,863)	(104,746)	(104,609)
Administrative expenses	**(44,897)**	(34,335)	(40,973)	(40,269)	(29,164)
Change in fair value of investment properties	**19,171**	76,797	58,246	56,591	(3,372)
Change in fair value of financial assets at fair value through profit or loss	**1,590**	—	661	1,841	—
Change in fair value of derivative financial instruments	**49**	(18,672)	(16,724)	(1,549)	6,268
Gain on disposal of assets classified as held for sale	**—**	—	—	—	21,604
Gain on disposal of available-for-sale financial assets	**—**	—	750	—	—
Impairment loss on goodwill	**(3,000)**	—	—	—	—
(Impairment loss)/Reversal of impairment loss on available-for-sale financial assets	**(41)**	(24)	(3)	680	(1,235)
Gain on disposal of associates after deducting direct expenses and tax	**95,462**	—	—	—	—
Share of results of associates	**107,382**	(940)	9,680	11,571	4,569
Finance costs	**(14,799)**	(21,130)	(12,915)	(6,876)	(18,343)
Profit before income tax	**292,849**	72,064	128,070	171,275	51,789
Income tax expense	**(4,692)**	(8,088)	(7,328)	(11,380)	(3,916)
Profit for the year attributable to owners of the Company	**288,157**	63,976	120,742	159,895	47,873
Earnings per share — Basic	**HK110.12 cents**	HK24.45 cents	HK46.14 cents	HK61.10 cents	HK18.29 cents
— Diluted	**N/A**	N/A	N/A	N/A	N/A

Assets and liabilities:

	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
	At 31 December				
Total assets	**2,343,280**	2,912,675	2,725,110	1,651,743	1,303,525
Total liabilities	**(926,247)**	(1,765,074)	(1,669,004)	(742,031)	(553,303)
Equity attributable to owners of the Company	**1,417,033**	1,147,601	1,056,106	909,712	750,222