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CORPORATE INFORMATION

DIRECTORS

Mr. Billy K YUNG *(Group Chairman and Chief Executive)*
Madam YUNG HO Wun Ching
Madam Vivian HSU
Mr. David CHOW Kai Chiu

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

COMPANY SECRETARY

Mr. I. S. Outerbridge (Bermuda)
Mr. HUEN Po Wah (Hong Kong)

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

HONG KONG OFFICE

Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

TRANSFER AGENT

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

LOSS FOR THE YEAR

The Group's audited consolidated loss attributable to the owners of the Company for the year ended 31st December, 2011 amounted to HK$1,605,000. Basic loss per share was HK0.3 cent.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31st December, 2011. The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Wednesday, 25th July, 2012 (the "AGM"), will be payable on or before Tuesday, 25th September, 2012 to the Members on the register of members of the Company on Friday, 3rd August, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20th July, 2012 to Wednesday, 25th July, 2012, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 19th July, 2012.

The register of members of the Company will be closed from Wednesday, 1st August, 2012 to Friday, 3rd August, 2012, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 31st July, 2012.

BUSINESS REVIEW

Electric Fans

Revenue from the Group's electric fans business fell considerably compared to that of the previous year due to the adverse global economic conditions in 2011. Sales to Europe recorded the largest decrease as a result of the European financial crisis; the drop in Australia was also significant; businesses in other markets such as the US, Middle East and Africa also declined, however, the gross margins of those regions remained steady. Sales to South America recorded an increase. Business may benefit from any possible economic rebound in Europe and the US in 2012. The stability of Australia's and Middle East's economic conditions may also facilitate the growth of the electric fans business.

Contract Manufacturing — Optics and Imaging

Decreases in the revenue and profits of the Group's Optics and Imaging Contract Manufacturing business were recorded as a consequence of a sharp output reduction in the fourth quarter during the year. This was due to a supply chain disturbance from Thailand. A new generation of scanner heads, fusers and paper handling options were designed in 2011. Development work for these new designs has started in the third quarter of the year and most models will complete pilot production by the second quarter of 2012.

Contract Manufacturing — Electric and Electronics

A drop in volume and negative margins on some product series have contributed to the reduction in revenue and profits for the Group's Electric and Electronics Contract Manufacturing business. The corporate restructuring of a customer had resulted in some product models being discontinued in 2011 and affected our turnover. Rise in resin prices had adversely affected the margin in the first half of the year. The negative margin issue has been rectified in the fourth quarter of the year with sale price increases made. With completion of the corporate restructuring of the customer, more efforts will be extended to win more business awards from the customer. In 2010, a project has been commissioned to package high performance semi-conductor devices to supply to an affiliate company. Three packaging lines were installed and three more lines were planned for 2012.

LED Lighting Products

This unit was started in 2010 to exploit business opportunities in this revolutionary lighting technology. Notable investments and resources have been allocated to develop products and marketing networks. Major emphases were placed on LED retrofit for light bulbs and tubes, as well as commercial and outdoor applications. Several PLCC and COB packaging lines have been installed and significant continuing investments will be put in place to achieve manufacturing vertical integration.

Taxi Operation

Guangzhou SMC Car Rental Company Limited actively implemented the contractual rental operating model to replace the leasing license model. During the year, the number of vehicles under the contractual rental operating model increased to 670 from 623. The company currently owns 792 Guangzhou taxi operating licences, and holds 20 taxi operating licences with a 5-year operating term allocated from the Guangzhou Government (with restriction on non-peak-hour operations). For strategic growth in the future, the company will acquire additional taxi operating licences, consider acquiring other taxi rental companies and further secure allocation of taxi operating licences offered by the Guangzhou Government via competition from time to time.

Real Estate Investment & Development

Rental income of the retail and office properties of CITIC Plaza in Guangzhou increased by 5.5% and 1.8% respectively in 2011 over the previous year. The occupancy rates of the respective properties as at the end of 2011 reached 100% and 99.3%.

Rental from the hi-tech manufacturing facility in Shenzhen Futian Free Trade Zone ("FTZ") is stable under the new six years renewal term that commenced in 2011. The Group will continue to explore potential expansion development opportunities for the land reserve of this project. As Shenzhen's growth maintains its expanding mode bringing along new developments and opportunities, we anticipate new commercial projects may start to emerge in the FTZ in the future.

During the year, the occupancy rate of the office complex in Livermore, California, has fallen and dropped to a record low level at the end of the year. A down trend is triggered by the non-renewal of tenants upon lease expirations as a result of the depressed economy. The decision of a major tenant not to renew upon lease expiration in 2012, after its corporate restructuring in 2011, will create further impact. Over the past years, both rental rates and occupancy rates in the Tri-Valley area, where Livermore forms part of, have fallen. However, Livermore will continue to be a lower cost alternative to the other cities in the Tri-Valley.

The Group's investment properties located in Chai Wan, Hong Kong continued to provide a steady stream of rental income to the Group during the year. In view of the new planning regulation "HK Planning Area No. 20 Draft Chai Wan Outline Zoning Plan No. S/H20/20" imposing higher restrictive covenants for new building developments including lowering of the allowable plot ratio from 15 times to 12 times and limiting building heights to 120 meters, the Group will cautiously review all feasible plans for upgrading of its Shell Industrial Building in Chai Wan to increase its return potential and optimize the Group's property portfolio and long term income contribution.

Following the same strategy as in 2010, the Group continued to acquire lands in the New Territories in 2011 for the development of low density residential properties and other developments. As at the end of 2011, an aggregate of 14,982 sq. m. had been acquired by the Group.

Technology Investment

Semiconductor Device Products

In 2011, PFC's revenue grew by over 30% as more customers started switching over to use our products. PFC has achieved a major design win from a tier-1 Korean electronic manufacturer of mobile phones and tablet computers, and volume demand in Korea is expected to ramp-up quickly in 2012. New design win continues to be strong, especially in the mobile, tablet, and LED market. PFC launched a new product line of high performance Super-Low Vf Mos Rectifier (SLVF) and continued to expand its IP portfolio. The new product and technology improves performance by over 15%. We expect strong business and revenue growth to continue for 2012.

Enterprise Software Solutions

During the year, Appeon saw increased demand from both IT outsourcing services and its Web development software. Selling over 1,000 new licenses, the increased demand led turnover to reach another new historical high. The first version of the new mobile application under development is scheduled to release in December 2012. In the meanwhile the new offering has been featured at key developer conferences, trade publications, and websites and has received much enthusiasm. As Appeon continues to expand its product and services offering and embrace mobile technologies, the company is poised for significant growth in sales and profits in the next few years.

Financial Investment

For the year ended 31st December, 2011, the Group's financial investment activities recorded loss of approximately HK$83,705,000 and the market value of the Group's financial investment holdings amounted to about HK$543,736,000.

REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2011 totalled HK$1,144 million, representing a notable drop of HK$195 million or 14.6% compared to HK$1,339 million for the corresponding period last year. The decrease in revenue stemmed mainly from the decrease in sales volume of electric fans, laser scanner units, paper handling options and fusers, reflecting a weak global economy.

Profit attributable to the owners of the company for the year ended 31st December, 2011 dipped from HK$271 million to a loss of HK$2 million representing a decrease of HK$273 million over the corresponding period last year. The plunge in profit was mainly attributable to (i) a drop in profit of HK$98 million in the manufacturing business mainly from electric fans, laser scanner units, paper handling options and LED products ; (ii) rise in unrealized loss of HK$63 million on securities trading and derivative financial instruments within the Group; and (iii) decrease in fair value gain (net of deferred taxation and non controlling interest) of HK$55 million on certain investment properties within the Group.

During the period under review, occupancy rate of the office complex in Livermore, California, dropped 19% due to non-renewal of tenants upon lease expiration as a result of worldwide depressed economy.

FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

The U.S. long term loan of US$11 million was secured by certain assets of the group located in the United States. In addition, the Group utilized certain long-term loans totalling HK$237 million. Apart from the above, all banking facilities of the Group were arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group as at 31st December, 2011, calculated as operating profit divided by total interest expenses net of interest income, stood at 12 times (31st December, 2010: –24 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group continued to conduct its sales mainly in US dollars and make payments either in US dollars or Hong Kong dollars. So far as the Hong Kong dollars and the US dollars remained pegged, the Group considered that it had no significant exposure to foreign exchange risk.

GEARING RATIO

The Group continued to follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2011, the Group recorded a 8.45% gearing ratio (31st December, 2010: Nil), expressed as a percentage of total bank borrowings net of cash and pledged cash deposits to total equity of the Group.

SIGNIFICANT DISPOSALS

On 2nd March, 2011, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire issued share capital of SMC Cable Limited, a wholly-owned subsidiary of the Group at a consideration of approximately HK$11.5 million. The transaction was completed on 3rd May, 2011.

On 19th April, 2011, the Group entered into a sale and purchase agreement ("Sales and Purchases Agreement") with an independent third party to dispose of its 10.1% out of 26.66% equity interest in an associate, MDCL-Frontline (China) Limited ("MDCL"). On 31st December, 2011, the Group and the independent third party signed a termination agreement to terminate the Sales and Purchases Agreement.

Other than the above, there is no significant disposals during the period and up to the date of this report.

CAPITAL COMMITMENTS AND GUARANTEE

During the period under review, the Group had capital commitments totaling HK$2.7 million which related to manufacturing of LED products. In addition, the Company issued guarantees to the banks amounting to HK$377 million to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK$109 million during the period under review.

During the period under review, the Group had charges on assets totalling HK$132 million mainly for securing mortgage loans.

The Group also pledged its 100% interest of the issued share capital of its subsidiary, Full Revenue Inc, to a bank to secure a long-term loan granted to the Group.

EMPLOYEES

As at 31st December, 2011, the Group has approximately 3,250 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes of certain subsidiary companies are put in place as a longer term incentive to align interests of employees to those of shareholders.

The directors present their annual report and the audited financial statements for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances, property leasing, property investment and development, taxi rental and securities trading. Details of the activities of its principal subsidiaries, associates and jointly controlled entities are set out in note 52 to note 54 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated income statement on page 12.

Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommends the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on Friday, 3rd August, 2012, thus giving rise to a final dividend distribution amounting to HK$2,617,000.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital of the Company and outstanding share options of its subsidiaries are set out in note 40 and note 42 to the financial statements respectively.

RESERVE

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on page 17 and note 41 to the financial statements respectively.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2011, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to HK$2,617,000 (2010 : Nil).

DONATIONS

During the year, the Group made charitable and other donations totalling HK$11,010,000 (2010: HK$2,947,000).

PROPERTY, PLANT AND EQUIPMENT

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Billy K Yung
Madam Yung Ho Wun Ching
Madam Vivian Hsu
Mr. David Chow Kai Chiu
Mr. Eddie Hurip (resigned on 13th October, 2011)

In accordance with Bye-law 84 of the Bye-laws of the Company, Madam Yung Ho Wun Ching and Mr. David Chow Kai Chiu shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Every Director is subject to retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Except for the share options granted to the directors pursuant to the schemes as set out in note 42 to the financial statements, at no time during the year was the Company 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.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31st December, 2011, the five largest customers accounted for approximately 60% of the total sales of the Group's turnover, of which 15% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for less than 32% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31st December, 2011.

AUDITOR

The financial statements for the year ended 31st December, 2011 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

Mr. Billy K Yung
Chairman

Hong Kong, 18th June, 2012

The Company is firmly committed to maintaining a high standard corporate governance practices and adhering to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The board of directors of the Company (the "Board") will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board comprises of four members and supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practiced. There is a clear division of responsibilities between the Board and the management. The Board is responsible for overseeing the Group's overall strategic plans, approval of major funding and investment proposals and reviewing the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the Committee of the Directors comprising of two members, namely Mr. Billy K Yung and Mr. David Chow Kai Chiu. Mr. Eddie Hurip, the former Director of the Company, has left the Company with effect from 13th October, 2011.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Billy K Yung is the Group Chairman and the Chief Executive Officer. The Board considers that the structure is more conducive to the efficient formulation and implementation of the Company's strategies.

NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year to fill casual vacancy shall retire and submit themselves for re-election immediately following his/her appointment at the first general meeting or at the next following annual general meeting of the Company in the case of an addition to the existing Board. Further, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

As such, the Company considers that sufficient measures have been taken to ensure that the formal and transparent process for the nomination and appointment of Directors is maintained.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board is charged with the responsibility of determining the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Board takes into account the performance of the Group as well as those individual Directors and key executives.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the auditor that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 11.

The Board has reviewed with management and auditor of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31st December, 2011.

The Board has recommended that BDO Limited, Certified Public Accountants, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records maintained, appropriate legislation and regulations complied with, reliable financial information provided for management and publication purposes and investment and business risks affecting the Group identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Board has conducted a review of the effectiveness of the system of internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board considers that the Group's internal control system is satisfactory.

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TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED
蜆壳電器控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 12 to 80, which comprise the consolidated and company statements of financial position as at 31st December, 2011, 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 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 90 of the Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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 31st December, 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

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

Hong Kong, 18th June, 2012

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	6	**1,144,429**	1,339,026
Cost of sales and services provided		**(930,051)**	(1,077,031)
Gross profit		**214,378**	261,995
Other income	8	**27,833**	62,101
Distribution and selling expenses		**(17,398)**	(17,270)
Administrative expenses		**(178,680)**	(158,159)
Other operating (expenses)/income		**(20,547)**	1,484
Other gains/(losses)			
Fair value gain on investment properties	15	**82,873**	113,208
Fair value loss on investments held for trading		**(87,385)**	(20,185)
Fair value loss on derivative financial instruments		**(207)**	(4,494)
Gain on remeasurement of interest in a former associate at fair value		**—**	5,647
Gain on disposal of subsidiaries	43	**14,297**	—
Impairment loss on available-for-sale financial assets		**(1,761)**	—
Write down of inventories of properties		**(10,171)**	—
Others		**2,519**	2,765
Operating profit		**25,751**	247,092
Finance costs	10	**(16,984)**	(11,661)
Share of results of associates		**51,941**	67,966
Share of results of jointly controlled entities		**5,821**	3,470
Profit before income tax	9	**66,529**	306,867
Income tax expense	11	**(69,239)**	(36,941)
(Loss)/Profit for the year		**(2,710)**	269,926
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(1,605)**	270,956
Non-controlling interests		**(1,105)**	(1,030)
		(2,710)	269,926
		HK Cents	HK Cents
(Loss)/Earnings per share	14		
— Basic		**(0.3)**	51.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
(Loss)/Profit for the year	**(2,710)**	269,926
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
— subsidiaries	**41,172**	34,523
— associates and jointly controlled entities	**6,306**	5,299
Reclassification adjustment for translation differences recycled to profit or loss upon disposal of overseas operations	**(12,780)**	—
Fair value changes on available-for-sale financial assets	**9,881**	8,038
Fair value adjustment upon transfer of owners-occupied properties to investment properties	**1,388**	—
Other comprehensive income for the year, net of tax	**45,967**	47,860
Total comprehensive income for the year	**43,257**	317,786
Total comprehensive income attributable to:		
Owners of the Company	**44,321**	318,617
Non-controlling interests	**(1,064)**	(831)
	43,257	317,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	15	**779,203**	663,099
Property, plant and equipment	16	**252,115**	190,780
Prepaid lease rental on land	17	**9,909**	16,975
Goodwill	18	**4,393**	4,393
Other intangible assets	19	**228,913**	219,679
Interests in associates	21	**566,239**	524,027
Interests in jointly controlled entities	22	**6,123**	4,532
Available-for-sale financial assets	23	**24,579**	16,539
Other assets	24	**38,446**	34,180
Loans receivable	25	**60,668**	94,091
Deferred tax assets	39	**3,222**	12,873
		1,973,810	1,781,168
Current assets			
Inventories of properties	26	**192,196**	51,224
Other inventories	27	**163,996**	142,657
Trade and other receivables, prepayments and deposits	28	**263,872**	242,496
Prepaid lease rental on land	17	**295**	460
Loans receivable	25	**31,203**	7,156
Amount due from an associate	30	**401**	148
Amount due from an investee	30	**12,474**	5,108
Investments held for trading	31	**522,696**	493,078
Tax prepaid		**12,766**	7,567
Pledged cash deposits	45	**3,032**	—
Cash and cash equivalents	32	**408,607**	491,873
		1,611,538	1,441,767
Assets classified as held for sale	43(a)	**—**	22,290
		1,611,538	1,464,057
Current liabilities			
Trade and other payables	33	**360,334**	323,129
Amount due to a related party	34	**291**	291
Amount due to a director	34	**—**	8,875
Taxation liabilities		**52,019**	61,321
Derivative financial instruments	35	**4,701**	4,494
Bank borrowings	36	**393,302**	394,922
Other liabilities	37	**2,385**	2,144
		813,032	795,176
Net current assets		**798,506**	668,881
Total assets less current liabilities		**2,772,316**	2,450,049

	NOTES	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Bank borrowings	36	**219,130**	—
Other liabilities	37	**19,755**	16,262
Loan from non-controlling interest	38	**4,402**	3,837
Deferred tax liabilities	39	**152,065**	93,362
		395,352	113,461
Net assets		**2,376,964**	2,336,588
Capital and reserves			
Share capital	40	**82**	82
Reserves	41	**2,367,570**	2,323,249
Equity attributable to owners of the Company		**2,367,652**	2,323,331
Non-controlling interests		**9,312**	13,257
Total equity		**2,376,964**	2,336,588

BILLY K YUNG
Director

DAVID CHOW KAI CHIU
Director

STATEMENT OF FINANCIAL POSITION

As at 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	15	**45,600**	36,470
Property, plant and equipment	16	**5,991**	8,206
Interests in subsidiaries	20	**2,861**	2,861
Available-for-sale financial assets	23	**3,300**	3,300
Other assets	24	**38,446**	34,180
		96,198	85,017
Current assets			
Trade and other receivables, prepayments and deposits	28	**4,426**	3,430
Loans receivable	25	**25,163**	5,905
Amounts due from subsidiaries	29	**1,657,811**	1,561,864
Tax prepaid		**741**	—
Pledged cash deposits		**3,032**	—
Cash and cash equivalents	32	**7,505**	86,386
		1,698,678	1,657,585
Current liabilities			
Trade and other payables	33	**17,044**	15,171
Amounts due to subsidiaries	29	**16,226**	27,003
Amount due to a director	34	**—**	8,875
Taxation liabilities		**—**	620
Bank borrowings	36	**141,050**	300,000
		174,320	351,669
Net current assets		**1,524,358**	1,305,916
Total assets less current liabilities		**1,620,556**	1,390,933
Non-current liabilities			
Bank borrowings	36	**219,130**	—
Deferred tax liabilities	39	**7,204**	1,430
		226,334	1,430
Net assets		**1,394,222**	1,389,503
Capital and reserves			
Share capital	40	**82**	82
Reserves	41	**1,394,140**	1,389,421
Total equity		**1,394,222**	1,389,503

BILLY K YUNG	**DAVID CHOW KAI CHIU**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2011

	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2010	82	273,360	—	155,076	1,645	—	6,790	1,567,761	2,004,714	12,199	2,016,913
Net profit for the year	—	—	—	—	—	—	—	270,956	270,956	(1,030)	269,926
Exchange difference arising from translation of overseas operations											
— subsidiaries	—	—	—	34,324	—	—	—	—	34,324	199	34,523
— associates	—	—	—	5,299	—	—	—	—	5,299	—	5,299
Fair value changes on available-for-sale financial assets	—	—	8,038	—	—	—	—	—	8,038	—	8,038
Total comprehensive income for the year	*—*	*—*	*8,038*	*39,623*	*—*	*—*	*—*	*270,956*	*318,617*	*(831)*	*317,786*
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	1,889	1,889
Transactions with owners	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*—*	*1,889*	*1,889*
At 31st December, 2010	82	273,360	8,038	194,699	1,645	—	6,790	1,838,717	2,323,331	13,257	2,336,588
At 1st January, 2011	**82**	**273,360**	**8,038**	**194,699**	**1,645**	**—**	**6,790**	**1,838,717**	**2,323,331**	**13,257**	**2,336,588**
Net loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,605)**	**(1,605)**	**(1,105)**	**(2,710)**
Exchange difference arising from translation of overseas operations											
— subsidiaries	**—**	**—**	**—**	**41,131**	**—**	**—**	**—**	**—**	**41,131**	**41**	**41,172**
— associates and jointly controlled entities	**—**	**—**	**—**	**6,306**	**—**	**—**	**—**	**—**	**6,306**	**—**	**6,306**
Reclassification adjustment for translation differences recycled to profit or loss upon disposal of overseas operations	**—**	**—**	**—**	**(12,780)**	**—**	**—**	**—**	**—**	**(12,780)**	**—**	**(12,780)**
Fair value changes on available-for-sale financial assets	**—**	**—**	**9,881**	**—**	**—**	**—**	**—**	**—**	**9,881**	**—**	**9,881**
Fair value adjustment upon transfer of owner-occupied properties to investment properties *(note 15(b))*	**—**	**—**	**—**	**—**	**1,388**	**—**	**—**	**—**	**1,388**	**—**	**1,388**
Total comprehensive income for the year	***—***	***—***	***9,881***	***34,657***	***1,388***	***—***	***—***	***(1,605)***	***44,321***	***(1,064)***	***43,257***
Disposal of subsidiaries *(note 43(b))*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,881)**	**(2,881)**
Proposed final dividend *(note 13)*	**—**	**—**	**—**	**—**	**—**	**2,617**	**—**	**(2,617)**	**—**	**—**	**—**
Transactions with owners	***—***	***—***	***—***	***—***	***—***	***2,617***	***—***	***(2,617)***	***—***	***(2,881)***	***(2,881)***
At 31st December, 2011	**82**	**273,360**	**17,919**	**229,356**	**3,033**	**2,617**	**6,790**	**1,834,495**	**2,367,652**	**9,312**	**2,376,964**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before income tax	**66,529**	306,867
Adjustments for:		
Share of results of associates	**(51,941)**	(67,966)
Share of results of jointly controlled entities	**(5,821)**	(3,470)
Gain on disposal of subsidiaries	**(14,297)**	—
Fair value gain on investment properties	**(82,873)**	(113,208)
Fair value loss on investments held for trading	**87,385**	20,185
Fair value loss on derivate financial instruments	**207**	4,494
Gain on remeasurement of interest in a former associate at fair value	**—**	(5,647)
Depreciation and amortisation	**32,506**	24,014
Impairment loss on financial assets	**8,303**	11,071
Write down of inventories of properties	**10,171**	—
Reversal of allowance of inventories	**(11,590)**	(8,834)
Reversal of provision for tax penalty	**—**	(21,225)
Write back of long outstanding payables	**(485)**	(2,895)
Interest income	**(9,867)**	(18,521)
Interest expenses	**12,059**	8,256
Gain on disposal of property, plant and equipment	**(2,673)**	(2,549)
Write-off of property, plant and equipment	**71**	114
Exchange difference	**(1,512)**	1,895
Operating cash flows before movements in working capital	**36,172**	132,581
Increase in inventories of properties	**(151,143)**	(51,224)
Increase in other inventories	**(6,067)**	(36,734)
Increase in trade and other receivables, prepayments and deposits	**(23,614)**	(6,822)
Increase in amount due from an associate	**(253)**	(148)
(Increase)/Decrease in amount due from an investee	**(7,366)**	3,303
Decrease in amounts due from related parties	**—**	789,024
Increase in investments held for trading	**(117,003)**	(484,764)
Decrease in assets classified as held for sale	**19,057**	—
Increase/(Decrease) in trade and other payables	**31,753**	(3,250)
Decrease in amount due to an associate	**—**	(96)
(Decrease)/Increase in amount due to a director	**(8,875)**	8,875
Cash (used in)/generated from operations	**(227,339)**	350,745
Hong Kong profits tax paid	**(6,667)**	(7,059)
Tax paid in other jurisdictions	**(13,413)**	(16,763)
Net cash (used in)/generated from operating activities	**(247,419)**	326,923

	2011	2010
	HK$'000	HK$'000
Investing activities		
Proceeds from disposal of subsidiaries *(note 43)*	**10,030**	—
Proceeds from disposal of property, plant and equipment	**4,077**	2,620
Interest received	**8,259**	19,507
Dividend received from an associate	**13,931**	6,236
Dividend received from a jointly controlled entity	**4,034**	2,496
Purchase of property, plant and equipment	**(94,877)**	(41,632)
Purchase of investment properties	**(1,121)**	(991)
Purchase of taxi licences	**—**	(10,061)
Purchase of antiques	**(12,840)**	(34,180)
Proceeds from disposal of antiques	**8,574**	—
Acquisition of a subsidiary	**—**	(4,885)
Addition/(Repayment) of loans receivable, net	**5,350**	(2,086)
Additions to investment in available-for-sale financial assets	**—**	(5,201)
Increase in pledged cash deposits	**(3,032)**	—
Net cash used in investing activities	**(57,615)**	(68,177)
Financing activities		
New bank and other borrowings	**517,174**	259,042
Repayment of bank borrowings	**(297,481)**	(586,116)
Interest paid	**(9,878)**	(7,604)
Net cash generated from/(used in) financing activities	**209,815**	(334,678)
Net decrease in cash and cash equivalents	**(95,219)**	(75,932)
Cash and cash equivalents at 1st January	**491,873**	553,550
Effect of foreign exchange rate change	**11,953**	14,255
Cash and cash equivalents at 31st December	**408,607**	491,873

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, manufacturing and marketing of electric fans, as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances, property leasing, property investment and development, taxi rental and securities trading.

The financial statements of the Group on pages 12 to 80 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").

The financial statements for the year ended 31st December, 2011 were approved for issue by the board of directors on 18th June, 2012.

2. REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated as a wholly-owned subsidiary of Shell Electric Mfg. (Holdings) Company Limited (now known as China Overseas Grand Oceans Group Limited) ("Shell Holdings"). Pursuant to the group restructuring (the "Group Restructuring") conducted by Shell Holdings and completed near the end of 2009, Shell Holdings transferred to the Company certain of its subsidiaries and certain of its assets and liabilities which constitute the businesses that the Group is currently in pursuit. In return, the Company issued additional shares to Shell Holdings. On 10th February, 2010, all the shares of the Company held by Shell Holdings were distributed in specie to the then shareholders of Shell Holdings.

The Group is regarded as a continuing entity resulting from the Group Restructuring since all of the companies and business which took part in the Group Restructuring were controlled by the same party before and immediately after the Group Restructuring. Consequently, there was a continuation of the risks and benefits to the party. The Group Restructuring has been accounted for as a reorganisation under common control in a manner similar to pooling of interests. Accordingly, the financial statements have been prepared using the merger basis of accounting as if the Group had always been in existence.

Under the merger basis of accounting, the assets and liabilities of the group companies or business are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Group Restructuring. The profit or loss includes the results of each of the group companies or businesses from the date of incorporation/establishment or since the date when the group companies or businesses first came under the control, where this is a shorter period, regardless of the date of the Group Restructuring. The interests of equity holders other than the controlling party in the group companies and business have been presented as non-controlling interests in these financial statements.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1st January, 2011

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1st January, 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs 2010

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(a) Adoption of new/revised HKFRSs — effective 1st January, 2011 *(Continued)*

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard has no impact on the financial position or performance of the Group. Related parties identified in prior years remain unchanged under the new accounting policy.

Improvements to HKFRSs 2010

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. With the adoption of some of the amendments which may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

(i) *HKFRS 3 Business Combinations*

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by another HKFRS. The Group has amended its accounting policies for measuring non-controlling interests but the adoption of the amendment has had no impact on the Group's financial statements as the non-controlling interests in the business acquisition in 2010 represented such present ownership interests.

(ii) *HKAS 1 Presentation of Financial Statements*

The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

(b) New/Revised HKFRSs that have been issued but not yet effective

The following new/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 HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurements[4]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statement[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1. *Effective for annual periods beginning on or after 1st July, 2011*
2. *Effective for annual periods beginning on or after 1st January, 2012*
3. *Effective for annual periods beginning on or after 1st July, 2012*
4. *Effective for annual periods beginning on or after 1st January, 2013*
5. *Effective for annual periods beginning on or after 1st January, 2014*
6. *Effective for annual periods beginning on or after 1st January, 2015*

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(b) New/Revised HKFRSs that have been issued but not yet effective *(Continued)*

Amendments to HKFRS 7 Disclosure — Transfer of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) — 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.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This 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 amendment 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 to apply.

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.

3. ADOPTION OF NEW AND REVISED HKFRSs *(Continued)*

(b) New/Revised HKFRSs that have been issued but not yet effective *(Continued)*

HKFRS 11 — Joint Arrangements

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC) — 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 joint arrangement, it is regarded as a joint operator and will recognise its interest in 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.

HKFRS 13 — Fair Value Measurements

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.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

4.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties, certain equity securities and derivative financial instruments which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

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 actions, 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 financial statements, are disclosed in note 5.

4.2 Basis of consolidation

Except for the Group Restructuring which have been accounted for as a reorganisation under common control in manner similar to pooling of interests as explained in note 2, acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Basis of consolidation *(Continued)*

Subsidiaries (note 4.3) are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions within the Group are eliminated 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. 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. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

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 arising on business combination is measured according to the policies in note 4.5.

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, and also the cumulative translation differences recorded in equity. 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.

4.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of the subsidiaries are included in the Company's statement of comprehensive income to the extent of dividend received and receivable.

The Company's interests in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 "Non-current Assets held for Sale and Discontinued Operations" (note 4.9).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Interests in associates and jointly controlled entities are accounted for in the financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition post-tax items of other comprehensive income of the associates and jointly controlled entities is included in the statement of other comprehensive income.

Unrealised profit on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealised losses 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.

When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

When an interest in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 4.9).

4.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the Group's interest in the fair value of the identifiable assets acquired and liabilities including contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the interests in associates and jointly controlled entities, respectively, rather than recognised as a separate asset on the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the reporting date or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 4.13). On subsequent disposal of a subsidiary, associate or jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

4.6 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the cost of acquisition of the subsidiaries, associates and jointly controlled entities is recognised immediately in profit or loss.

4.7 Investment properties

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Investment properties *(Continued)*

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4.29(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 4.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

4.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 4.13). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 4.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	**Annual rates**
Land and buildings *(note 4.12)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss.

4.9 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment (note 4.13) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually (note 4.13) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Taxi licences

Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Patent

Separately acquired patent is shown at historical cost. Patent acquired in a business combination is recognised at fair value at the acquisition date. Patent has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent over its estimated useful live of 8 years.

4.11 Other assets

Other assets represent antiques held for long-term investment purposes and are stated at cost less accumulated impairment losses.

4.12 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current asset, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 4.8).

When the Group's interests in leasehold land and buildings are in the course of development for investment purpose, the leasehold land component is included in properties under development. During the development period of such properties, the amortisation charge of the prepaid land lease is capitalised as part of the building costs but charged to profit or loss on completion of development of such properties.

4.13 Impairment of non-financial assets

Goodwill, other intangible assets, other assets, property, plant and equipment and interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. Goodwill, other intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of the time value of money and the risk specific to the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Impairment of non-financial assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.14 Investments and other financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except in the case of investments not at fair value through profit or loss. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the statement of financial position and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 4.29.

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from equity. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in note 4.29.

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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

4.15 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Impairment of financial assets *(Continued)*

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.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in 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

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Impairment losses in respect of debt instruments are reversed through profit or loss if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial 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 losses are not reversed in subsequent periods.

4.16 Inventory of properties

Inventory of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 4.12), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

4.17 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Foreign currencies

The financial statements is presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the reporting date are translated into HK$ at exchange rate prevailing on the reporting date. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

4.19 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.20 Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits 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 taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and jointly-controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each reporting period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

4.22 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.21). A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Financial liabilities at amortised costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss which are measured at fair value. Changes in fair value are recognised in profit or loss in the period in which they arise. The net fair value gain or loss recognised in the income statement does not include interest charged on these financial liabilities.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

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 at initial recognition as at fair value through profit or loss if the following criteria are met: (i) 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; (ii) 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 (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) 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 terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 4.26 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

4.24 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the year in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit scheme as set out in note 44 are charged as an expense when employees have rendered service entitling them to the contributions.

4.25 Share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

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

In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share option reserve is released directly to retained profits.

4.26 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.27 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4.28 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.

4.29 Revenue and other income recognition

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

(i) Sales of goods are recognised as revenue when goods are delivered and title has passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(v) Taxi rental, licence and management fee income is recognised in accordance with the substance of the licence and management agreement when the taxi licence holders' right to receive payment have been established and the relevant services are delivered. Income received in advance which is attributable to the whole licencing contract arrangement is deferred as deferred income under current liabilities and amortised over the period of the licence contract.

(vi) Handling fee income and service income is recognised on an appropriate basis over the relevant period in which the services are rendered.

4.30 Related parties

For the purpose 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 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 key management personnel of the Group or of a parent of the Group.

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.30 Related parties *(Continued)*

(v) The entity is a post-employment benefit plan for the benefit of the 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); or

(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.

4.31 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements 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.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimates of fair value of investment properties

As disclosed in note 15, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment of assets

The Group reviews at least annually and assesses whether goodwill, taxi licences with indefinite useful lives and antiques have suffered any impairment. Other assets including property, plant and equipment and intangible assets with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill, taxi licenses and antiques are set out in notes 18, 19 and 24 respectively.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

5.1 Critical accounting estimates and assumptions *(Continued)*

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation.

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgement is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimate of net realisable value of inventory of properties

Management reviews the recoverable amount of inventory of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated cost to completion and estimated costs to sell. Management makes estimates in determining the recoverable amount.

5.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgement.

6. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognised during the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Sales of goods	**983,786**	1,196,170
Taxi rental, licence and management fee income	**101,743**	81,453
Property rental income	**58,900**	61,403
Total revenue	**1,144,429**	1,339,026

During the year ended 31st December, 2011, the Group's revenue of HK$552,815,000 (2010: HK$660,752,000) or 48% (2010 : 49%) was derived from a single customer as well as its designated suppliers and the revenue of which is reported under the segment of "Electrical appliances". The revenue was derived from the sale transactions conducted directly with that single customer as well as the sale transactions conducted with the designated suppliers of that single customer.

7. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Electrical appliances	—	This segment manufactures electrical appliances including electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser and laser scanner. The Group's manufacturing facilities are located in the People's Republic of China (the "PRC") and products are mainly sold to customers in PRC and overseas such as North America and European countries.
Property leasing	—	This segment leases industrial properties and commercial units located in Hong Kong, the PRC and the United States to generate rental income and gain from appreciation in the properties' values in long term. Part of the business is carried out through certain associates.
Property investment and development	—	This segment constructs residential properties in Hong Kong for external customers.
Securities trading	—	This segment mainly carries out trading of securities to generate gain from appreciation in securities.
Taxi rental	—	This segment carries out taxi rental operation in the PRC and generates rental, licence and management fee income.
All other segments	—	Operating segments which are not reportable comprise design and trading of semiconductors and electric components and trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business. During the year, the Group disposed of the entire share capital of SMC Cable Limited. SMC Cable Limited and its subsidiary are principally engaged in manufacturing and trading of cables and electric wires which is insignificant to the Group and is thereby presented in aggregate with other insignificant segments. Details about the disposal is disclosed in note 43.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and jointly controlled entities. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including available-for-sale financial assets, bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, derivative financial instruments, amounts due to related parties and other liabilities directly attributable to the business activities of operating segments and exclude corporate liabilities and liabilities such as bank borrowings that are managed on a group basis.

7. SEGMENT INFORMATION *(Continued)*

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliations to revenue, profit/(loss) before income tax, total assets, total liabilities and other segment information are as follows:

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2011							
Reportable segment revenue*	932,327	58,900	—	—	101,743	51,459	1,144,429
Reportable segment profit/(loss)	1,642	190,026	(10,273)	(83,705)	33,386	(16,527)	114,549
Corporate income							6,205
Corporate expenses							(54,225)
Profit before income tax							66,529
							Total HK$'000
As at 31st December, 2011							
Reportable segment assets	628,046	1,367,263	192,394	546,440	378,973	105,665	3,218,781
Corporate assets							366,567
Total assets							3,585,348
As at 31st December, 2011							
Reportable segment liabilities	400,849	229,886	35	5,676	132,380	32,489	801,315
Corporate liabilities							407,069
Total liabilities							1,208,384

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:								
Year ended 31st December, 2011								
Interest income	1,921	21	—	1,157	634	27	6,107	9,867
Depreciation and amortisation	(7,437)	—	—	—	(16,958)	(3,877)	(4,234)	(32,506)
(Impairment losses)/Reversal of impairment losses recognised in profit or loss	(8,361)	—	—	—	—	58	—	(8,303)
Reversal of allowance for other inventories	22	—	—	—	—	11,568	—	11,590
Fair value gain on investment properties	—	82,873	—	—	—	—	—	82,873
Write down of inventories of properties	—	—	(10,171)	—	—	—	—	(10,171)
Write back of long outstanding payables	—	—	—	—	—	485	—	485
Share of profit/(loss) of associates	—	58,603	—	—	—	(6,662)	—	51,941
Share of profit of jointly controlled entities	—	—	—	—	—	5,821	—	5,821
Additions to specified non-current assets#	36,403	1,121	—	—	8,599	13,993	48,722	108,838
Write-off of property, plant and equipment	—	—	—	—	—	(2)	(69)	(71)
As at 31st December, 2011								
Interests in associates	—	516,004	—	—	—	50,235	—	566,239
Interests in jointly controlled entities	—	—	—	—	—	6,123	—	6,123

7. SEGMENT INFORMATION *(Continued)*

Segment results, segment assets and segment liabilities *(Continued)*

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Consolidated HK$'000
Year ended 31st December, 2010							
Reportable segment revenue*	1,136,788	61,403	—	—	81,453	59,382	1,339,026
Reportable segment profit/(loss)	107,190	219,131	(93)	(22,491)	37,990	20,467	362,194
Corporate income							18,587
Corporate expenses							(73,914)
Profit before income tax							306,867
							Total HK$'000
As at 31st December, 2010							
Reportable segment assets	599,354	1,206,945	51,224	559,141	279,070	208,212	2,903,946
Corporate assets							341,279
Total assets							3,245,225
As at 31st December, 2010							
Reportable segment liabilities	303,936	182,452	—	4,566	76,012	18,572	585,538
Corporate liabilities							323,099
Total liabilities							908,637

	Electrical appliances HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities trading HK$'000	Taxi rental HK$'000	All other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:								
Year ended 31st December, 2010								
Interest income	1,075	22	—	137	—	3,893	13,394	18,521
Depreciation and amortisation	(6,700)	(1)	—	—	(13,204)	(1,618)	(2,491)	(24,014)
Impairment losses recognised in profit or loss	(4,027)	(1,545)	—	(3,000)	(121)	(2,378)	—	(11,071)
Reversal of allowance for other inventories	1,456	—	—	—	—	7,378	—	8,834
Fair value gain on investment properties	—	113,208	—	—	—	—	—	113,208
Write back of long outstanding payables	—	—	—	—	1,893	1,002	—	2,895
Share of profit of associates	—	51,957	—	—	—	16,009	—	67,966
Share of profit of jointly controlled entities	—	—	—	—	—	3,470	—	3,470
Additions to specified non-current assets#	10,541	991	—	—	35,197	45,357	5,022	97,108
Write-off of property, plant and equipment	—	—	—	—	(84)	(30)	—	(114)
As at 31st December, 2010								
Interests in associates	—	453,198	—	—	—	70,829	—	524,027
Interests in jointly controlled entities	—	—	—	—	—	4,532	—	4,532

* *This represents sales from external customer and there were no inter-segment sales between different business segments for the years ended 31st December, 2011 and 2010.*

\# *Specified non-current assets represent the Group's non-current assets excluding financial instruments and deferred tax assets.*

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, Asia other than the PRC, North America (comprising Canada and the United States) and Europe.

An analysis of the Group's revenue by geographical locations, determined based on locations to which the goods are delivered or the services are provided and locations of assets which give rise to the rental income and the licence fee income, is as follows:

	2011	2010
	HK$'000	HK$'000
Hong Kong	**20,174**	25,324
Other regions of the PRC	**539,103**	669,096
Asia, other than the PRC	**84,828**	61,991
North America	**273,939**	322,053
Europe	**109,577**	113,800
Others	**116,808**	146,762
	1,144,429	1,339,026

An analysis of the Group's specified non-current assets by geographical locations, determined based on location of the assets or location of operations in case of goodwill and interests in associates and jointly controlled entities, is as follows:

	2011	2010
	HK$'000	HK$'000
Hong Kong	**324,010**	275,354
Other regions of the PRC	**1,362,753**	1,206,407
Asia, other than the PRC	**60,564**	13,640
North America	**138,014**	162,264
	1,885,341	1,657,665

8. OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Interest income on:		
Bank deposits	**6,385**	6,590
Loans to related parties	**–**	7,233
Loans to investees	**1,298**	453
Others, including loans receivable	**2,184**	4,245
Total interest income on financial assets not at fair value through profit or loss	**9,867**	18,521
Dividends from listed equity securities	**2,243**	4,859
Other rental income	**1,128**	1,433
Handling fee income	**7,462**	23,674
Write back of long outstanding payables	**485**	2,895
Sundry income	**6,648**	10,719
	27,833	62,101

9. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid lease rental on land	**288**	494
Amortisation of other intangible assets#	**1,206**	402
Depreciation of property, plant and equipment	**31,012**	23,118
Total amortisation and depreciation	**32,506**	24,014
Auditors' remuneration:		
Current year	**1,594**	1,628
Under provision in prior year	**524**	96
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**818,704**	994,375
Reversal of allowance for other inventories	**(11,590)**	(8,834)
Directors' remuneration	**17,999**	20,373
Donations	**11,010**	2,947
Gain on disposal of property, plant and equipment	**(2,673)**	(2,549)
Impairment loss on financial assets:		
Loans and receivables*	**6,542**	11,071
Available-for-sale financial assets	**1,761**	—
Net foreign exchange loss/(gain)	**478**	(1,772)
Operating lease charge on land and buildings	**3,356**	2,685
Outgoings in respect of investment properties	**8,554**	5,061
Net rental income	**(50,346)**	(56,342)
Research and development cost*^	**1,024**	618
Staff costs *(note 12)*	**161,695**	133,386
Write-off of property, plant and equipment	**71**	114
Write down of inventories of properties	**10,171**	—
Reversal of provision for tax penalty*	**—**	(21,225)

included in "Administrative expenses" in the consolidated income statement

* *included in "Other operating(expenses)/income" in the consolidated income statement*

^ *excluding depreciation of property, plant and equipment and staff costs*

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest charges on:		
Bank loans and overdrafts	**10,905**	7,058
Other liabilities	**1,154**	1,198
Total interest expense on financial liabilities not at fair value through profit or loss	**12,059**	8,256
Bank charges and arrangement fee	**4,925**	3,405
	16,984	11,661

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**479**	2,076
Other regions of the PRC — Enterprise income tax ("EIT")	**6,916**	16,359
Others	**1,025**	786
	8,420	19,221
(Over)/Under provision in prior years		
Hong Kong profits tax	**(235)**	(8,287)
Other regions of the PRC — EIT	**(3,784)**	(747)
Others	**3**	—
	(4,016)	(9,034)
Deferred tax *(note 39)*		
Income tax	**41,338**	26,754
PRC land appreciation tax ("LAT")	**23,497**	—
	64,835	26,754
	69,239	36,941

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year.

EIT arising from the PRC excluding Hong Kong is calculated at 10% to 25% (2010: 10% to 25%) of the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

11. INCOME TAX EXPENSE *(Continued)*

The income tax expenses can be reconciled to the profit before income tax at applicable tax rates as follows:

	2011 HK$'000	2010 HK$'000
Profit before income tax	**66,529**	306,867
Tax on profit at the rates applicable to profits in the countries concerned	**9,075**	53,853
Expenses not deductible for tax purpose	**52,532**	22,100
Income not taxable for tax purpose	**(13,722)**	(12,554)
Share of results of associates and jointly controlled entities	**(9,531)**	(11,840)
Tax exemption	**—**	(680)
Effect of change in tax rate	**2,886**	—
Utilisation of tax losses previously not recognised	**(1,748)**	(3,470)
Tax losses not recognised	**9,851**	2,898
Over provision in prior years	**(4,016)**	(9,034)
Others	**415**	(4,332)
	45,742	36,941
PRC LAT	**23,497**	—
Income tax expense	**69,239**	36,941

12. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and other benefits	**157,225**	129,778
Retirement fund contributions *(note 44)*	**3,963**	3,500
Termination benefits	**507**	108
	161,695	133,386

13. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Proposed final dividend — HK$0.005 (2010: Nil) per ordinary share	**2,617**	—

The final dividend of HK$0.005 (2010: Nil) per ordinary share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

14. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK$1,605,000 (2010: profit of HK$270,956,000) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2010: 523,485,000).

The Group had no potential dilutive ordinary shares in issue during the year or in prior year.

15. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at the beginning of year	**663,099**	540,599	**36,470**	—
Translation adjustment	**15,689**	8,301	**—**	—
Additions	**1,121**	991	**—**	—
Transfer under Group Restructuring	**—**	—	**—**	25,500
Transfer from property, plant and equipment and prepaid lease rental on land *(note (b))*	**16,421**	—	**—**	—
Increase in fair value	**82,873**	113,208	**9,130**	10,970
Carrying amount at the end of year	**779,203**	663,099	**45,600**	36,470

The carrying amount of the Group's and Company's interests in investment properties are analysed as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong, held under long-term leases	**272,000**	231,900	**45,600**	36,470
In other regions of the PRC, held under medium-term leases	**375,383**	275,199	**—**	—
In the USA, freehold	**131,820**	156,000	**—**	—
Carrying amount at 31st December	**779,203**	663,099	**45,600**	36,470

Notes:

(a) Investment properties which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2011 by Knight Frank Petty Limited on an open market basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalisation of net income. Investment properties situated in the USA were revalued as at 31st December, 2011 by Cushman & Wakefield Western, Inc. on an income approach with reference to comparable market conditions. Knight Frank Petty Limited and Cushman & Wakefield Western, Inc. are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

(b) During the year ended 31st December, 2011, the Group leased out a formerly self-occupied industrial building and reclassified it as an investment property. The property was previously occupied by the Group as production plant, of which the building portion was classified as property, plant and equipment with carrying value of HK$8,159,000 (note 16) and the land portion was included in prepaid lease rental on land with carrying value of HK$8,262,000 (note 17). The Group recognised an aggregate fair value gain of HK$1,388,000 on the date of reclassification which was recognised in asset revaluation reserve in equity.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 46.

In securing the bank loans as at year ended 31st December, 2011, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain investment properties with carrying value of HK$272,000,000 as at 31st December, 2011.

Certain investment properties of the Group are pledged as further detailed in note 45.

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1st January, 2010	135,342	49,677	64,682	55,301	74,266	379,268
Translation adjustment	3,904	1,514	1,826	1,142	2,311	10,697
Additions	—	9,712	164	1,314	30,442	41,632
Disposals	(365)	(8,072)	(11)	(6,634)	(6,673)	(21,755)
Write-off	—	(772)	(393)	(553)	(150)	(1,868)
Step acquisition on a subsidiary	—	—	447	148	—	595
Transfer to assets classified as held for sale	—	(13,244)	—	(377)	(331)	(13,952)
At 31st December, 2010 and 1st January, 2011	138,881	38,815	66,715	50,341	99,865	394,617
Translation adjustment	4,965	1,789	2,545	1,627	4,610	15,536
Additions	48,549	30,433	564	6,142	9,189	94,877
Disposals	(3,189)	(26)	—	(273)	(3,385)	(6,873)
Valuation surplus	557	—	—	—	—	557
Write-off	—	(635)	—	(1,736)	(150)	(2,521)
Disposal of a subsidiary *(note 43)*	—	—	—	(115)	(659)	(774)
Transfer to investment properties *(note 15)*	(13,092)	—	—	—	—	(13,092)
At 31st December, 2011	**176,671**	**70,376**	**69,824**	**55,986**	**109,470**	**482,327**
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2010	40,794	37,989	64,565	44,342	23,079	210,769
Translation adjustment	1,192	1,164	1,788	964	894	6,002
Depreciation provided	3,184	1,803	98	3,564	14,469	23,118
Disposals	(132)	(7,956)	(10)	(6,760)	(6,831)	(21,689)
Write-off	—	(772)	(383)	(482)	(117)	(1,754)
Transfer to assets classified as held for sale	—	(11,949)	—	(347)	(313)	(12,609)
At 31st December, 2010 and 1st January, 2011	45,038	20,279	66,058	41,281	31,181	203,837
Translation adjustment	1,483	967	2,559	1,423	1,843	8,275
Depreciation provided	4,377	3,966	303	3,587	18,779	31,012
Disposals	(2,595)	(20)	—	(246)	(2,608)	(5,469)
Write-off	—	(635)	—	(1,734)	(81)	(2,450)
Disposal of a subsidiary *(note 43)*	—	—	—	(2)	(58)	(60)
Transfer to investment properties *(note 15)*	(4,933)	—	—	—	—	(4,933)
At 31st December, 2011	**43,370**	**24,557**	**68,920**	**44,309**	**49,056**	**230,212**
NET CARRYING AMOUNT						
At 31st December, 2011	**133,301**	**45,819**	**904**	**11,677**	**60,414**	**252,115**
At 31st December, 2010	93,843	18,536	657	9,060	68,684	190,780

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

	THE COMPANY		
	Furniture, fixtures and office equipment HK$'000	**Motor vehicles HK$'000**	**Total HK$'000**
COST			
At 20th August, 2009 (date of incorporation)	—	—	—
Transfer under Group Restructuring	3,104	1,816	4,920
Additions	329	4,736	5,065
Disposals	—	(87)	(87)
At 31st December, 2010 and 1st January, 2011	3,433	6,465	9,898
Additions	152	251	403
Disposals	—	(577)	(577)
Write-off	—	(150)	(150)
At 31st December, 2011	**3,585**	**5,989**	**9,574**
DEPRECIATION			
At 20th August, 2009 (date of incorporation)	—	—	—
Depreciation provided	527	1,181	1,708
Disposals	—	(16)	(16)
At 31st December, 2010 and 1st January, 2011	527	1,165	1,692
Depreciation provided	468	1,600	2,068
Disposals	—	(96)	(96)
Write-off	—	(81)	(81)
At 31st December, 2011	**995**	**2,588**	**3,583**
NET CARRYING AMOUNT			
At 31st December, 2011	**2,590**	**3,401**	**5,991**
At 31st December, 2010	2,906	5,300	8,206

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group are analysed as follows:

	THE GROUP	
	2011 HK$'000	2010 HK$'000
In Hong Kong, held under long-term leases	**3,278**	3,508
In other regions of the PRC, held under		
— medium-term leases	**82,833**	97,138
— long leases	**4,371**	4,449
In the USA, freehold	**6,092**	6,183
In Asia (other than the PRC), held under medium-term leases	**46,931**	—
	143,505	111,278
Land and buildings included in property, plant and equipment	**133,301**	93,843
Prepaid lease rental on land *(note 17)*	**10,204**	17,435
	143,505	111,278

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

In securing the bank loans as at year ended 31st December, 2011, the Group undertook, under a negative pledge clause, to obtain prior written consent from the bank regarding the transfer, sales or disposal of certain property, plant and equipment with carrying value of HK$75,631,000 as at 31st December, 2011.

17. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1st January	**17,435**	17,337
Translation adjustment	**488**	592
Valuation surplus	**831**	—
Amortisation charged	**(288)**	(494)
Transfer to investment properties *(note 15)*	**(8,262)**	—
Carrying amount at 31st December	**10,204**	17,435
Analysed into:		
Non-current portion included in non-current assets	**9,909**	16,975
Current portion included in current assets	**295**	460
	10,204	17,435

18. GOODWILL

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1st January	**4,393**	—
Step acquisition on a subsidiary	**—**	4,393
Carrying amount at 31st December	**4,393**	4,393

The amount of goodwill as at the end of each reporting period is allocated to the cash-generating unit within the segment—design and trading of semiconductors and electric components and is tested for impairment by the management by estimating the recoverable amount of this cash-generating unit based on value in use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is 7 years up to year 2018. Based on the results of the impairment testing, management determines that there is no impairment in respect of this cash generating unit.

Key assumptions used by the management in the value in use calculations of this cash-generating unit include gross profit margin of 30%–50% (2010: 30%–50%) and growth rate by reference to the Gross Domestic Products Index in Taiwan. These assumptions have been determined based on past performance and management's expectations in respect of the market development in Taiwan. The pre-tax discount rate used which reflects the specific risks relating to the business and industry in which this cash-generating unit is engaged and has been applied to the cash flow projections is 22% (2010: 22%).

Apart from the considerations described above in determining the value in use of the cash-generating unit within the design and trading of semiconductors and electric components business, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

19. OTHER INTANGIBLE ASSETS

	THE GROUP		
	Taxi licences HK$'000	Patent HK$'000	Total HK$'000
COST			
At 1st January, 2010	239,013	—	239,013
Translation adjustment	8,313	—	8,313
Additions	10,061	—	10,061
Step acquisition on a subsidiary	—	9,649	9,649
As 31st December, 2010 and 1st January, 2011	257,387	9,649	267,036
Translation adjustment	12,769	—	12,769
As 31st December, 2011	**270,156**	**9,649**	**279,805**
AMORTISATION AND IMPAIRMENT			
At 1st January, 2010	45,376	—	45,376
Translation adjustment	1,579	—	1,579
Amortisation charged	—	402	402
As 31st December, 2010 and 1st January, 2011	46,955	402	47,357
Translation adjustment	2,329	—	2,329
Amortisation charged	—	1,206	1,206
As 31st December, 2011	**49,284**	**1,608**	**50,892**
NET CARRYING AMOUNT			
At 31st December, 2011	**220,872**	**8,041**	**228,913**
At 31st December, 2010	210,432	9,247	219,679

Note:

In the opinion of the directors, taxi licences have indefinite useful life as there is no foreseeable limit on the period of time on which the taxi licences are expected to provide cash flows.

The carrying amounts of taxi licences as at 31st December, 2011 is tested for impairment by the management by estimating its recoverable amount based on a value in use calculations. The calculations use cash flow projections based on the financial budgets approved by the management.

The financial budgets prepared for the year ended 31st December, 2011 are up to year 2033 as the application for extending the business period of the subsidiary engaging in taxi rental operation by 22 years to year 2033 has been approved by the PRC government on 27th September, 2011.

Other key assumptions used by management in the value in use calculations of the taxi licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of taxi licences held by the Group remains the same throughout the forecast period, and (ii) the forecast taxi licence fee income is determined based on the fee income received during the respective year, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 10% (2010: 10%) which reflects specific risks relating to the taxi rental operation.

20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**93,289**	93,289
Less: Impairment	**(90,428)**	(90,428)
	2,861	2,861

Details of the Company's principal subsidiaries as at 31st December, 2011 are set out in note 52. Certain of the Group's interests in subsidiaries are pledged as further detailed in note 45.

21. INTERESTS IN ASSOCIATES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**565,389**	523,177
Goodwill on acquisition of an associate	**850**	850
	566,239	524,027

Details of the Group's principal associates as at 31st December, 2011 are set out in note 53. The following illustrates the summarised financial statements of the Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis	
	2011	2010
	HK$'000	HK$'000
Results for the year		
Revenue	**376,891**	607,950
Profit after income tax expenses	**163,963**	190,856
Financial positions		
Assets	**3,766,540**	3,759,867
Liabilities	**(1,867,813)**	(1,995,529)
Net assets	**1,898,727**	1,764,338

21. INTERESTS IN ASSOCIATES *(Continued)*

On 19th April, 2011, a subsidiary of the Company entered into a sales and purchase agreement (the "Sales and Purchase Agreement") with an independent third party to dispose of (the "Proposed Disposal") its 10.1% out of 26.66% equity interest in an associate, MDCL-Frontline (China) Limited ("MDCL"). The principal activities of MDCL are trading of computer hardware, provision of information technology services and investment holding. On 31st December, 2011, the subsidiary of the Company and the independent third party signed a termination agreement to terminate the Sales and Purchase Agreement. The Proposed Disposal has not been completed and the Group continues to account for MDCL as an associate i.e. to share the result of MDCL for the year and MDCL's net assets as at 31st December, 2011 by 26.66%. As at the date of this report, the legal title regarding the 10.1% equity interest in MDCL is yet to be transferred back to the Group. On the other hand, the deposit for the Proposed Disposal received by the Group amounting to HK$9,500,000 are recorded as other payable as at 31st December, 2011 has yet to be refunded to the independent third party. In the opinion of the directors, these formality procedures which are necessary for unwinding the Sale and Purchase Agreement can be completed by the date as specified in the termination agreement.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**5,733**	4,142
Goodwill on acquisition	**390**	390
	6,123	4,532

Details of the Group's jointly controlled entities as at 31st December, 2011 are set out in note 54. The following illustrates the summarised financial information of the Group's jointly controlled entities extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2011	2010
	HK$'000	HK$'000
Share of results for the year		
Revenue	**11,090**	6,674
Profit after income tax expenses	**5,821**	3,470

	2011	2010
	HK$'000	HK$'000
Share of assets and liabilities		
Total non-current assets	**853**	66
Total current assets	**6,814**	4,975
Total current liabilities	**(1,934)**	(899)
	5,733	4,142

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments:				
Club debentures *(note (a))*	**3,300**	3,300	**3,300**	3,300
Equity securities,				
Listed in Hong Kong, at fair value *(note (b))*	**21,040**	11,159	**—**	—
Unlisted outside Hong Kong, at cost *(note (c))*	**239**	2,080	**—**	—
	24,579	16,539	**3,300**	3,300

Notes:

(a) *Club debentures are stated at cost less impairment.*

(b) *The Group does not intend to dispose of these investments in the near future.*

(c) *In the opinion of the directors, the fair value of the unlisted equity securities cannot be determined reliably because the range of reasonable fair value estimates is too significant. Accordingly, they are stated at cost less impairment. Having considered the financial position of the unlisted equity securities and its uncertain future prospect, management has made impairment provision of HK$1,841,000 as at 31st December, 2011 (2010: Nil) in respect of the unlisted equity securities.*

24. OTHER ASSETS

Other assets represent antiques held by the Company and the Group for long-term investment purposes. Antiques are reviewed for impairment by the management with reference to the valuation report issued by an independent professional valuer. In the opinion of the directors, the antiques worth at least their carrying value at the end of the reporting period.

25. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans receivable from:				
Investees *(note (a))*	**16,340**	11,023	**—**	—
Associates *(note (b))*	**60,668**	87,845	**—**	—
Others *(note (c))*	**39,620**	37,856	**25,163**	5,905
	116,628	136,724	**25,163**	5,905
Less: Impairment *(notes (a) and (c))*	**(24,757)**	(35,477)	**—**	—
	91,871	101,247	**25,163**	5,905
Analysed into:				
Amount repayable in more than one year included in non-current assets	**60,668**	94,091	**—**	—
Amount repayable within one year included in current assets	**31,203**	7,156	**25,163**	5,905
	91,871	101,247	**25,163**	5,905

25. LOANS RECEIVABLE *(Continued)*

Notes:

(a) *The loans to investees are unsecured, interest-bearing at 4.75%–8.1% (2010: 3%–8.1%) per annum and repayable within one year (2010: HK$4,777,000 within twelve months from the reporting date and HK$6,246,000 after twelve months from the reporting date). Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, accumulated impairment provision of HK$10,300,000 (2010: HK$3,526,000) had been made in respect of these loan balances.*

(b) *The loans to associates are unsecured and interest-free. The amortised costs of the loans to associates as at 31st December, 2011 are calculated at the present values of the expected settlements from the associates in accordance with the business plans of the respective associates, discounted at the rates of return of similar financial assets. The loans to associates will not be repayable within twelve months from the respective reporting dates and accordingly, they are classified as non-current assets. Having considered the financial position of these associates, and their repayment history, the management assessed that there is no indication of impairment in respect of these loans.*

(c) *The balances are unsecured, interest-bearing at 5%–8.5% (2010: 5%–10%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that only a portion of the balance can be recovered and accordingly, accumulated impairment provision of HK$14,457,000 (2010: HK$31,951,000) had been made in respect of the balances.*

In the opinion of the directors, the carrying amounts of the loans receivable at the reporting dates approximate their fair values.

26. INVENTORIES OF PROPERTIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Properties under development	**192,196**	51,224

As at the end of the reporting period, properties under development amounting to HK$192,196,000 (2010: HK$51,224,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development are located in Hong Kong. As at the end of the reporting period, leasehold interests in land included in inventories of properties which are held under medium-term leases amounted to HK$179,181,000 (2010: HK$41,871,000). At the reporting date, the legal titles of certain land acquired during the year have yet to be transferred to the Group.

27. OTHER INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**73,840**	51,446
Work-in-progress	**10,527**	14,760
Finished goods	**79,629**	76,451
	163,996	142,657

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**197,353**	190,064	**232**	—
Less: Impairment of trade receivables	**(3,215)**	(7,588)	**—**	—
Trade receivables, net	**194,138**	182,476	**232**	—
Other receivables	**17,391**	12,638	**717**	75
Prepayments and deposits	**52,343**	47,382	**3,477**	3,355
	263,872	242,496	**4,426**	3,430

The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 45 days or 60 days to its trade customers. Rental receivable from tenants is payable on presentation of invoices. For taxi rental, licence and management fee income, taxi drivers are generally required to pay monthly rental, licence and management fees in advance or by the 15th or 20th of that month.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and management would consider allowance for impairment of trade receivables which are aged one year or above.

The ageing analysis of the trade receivables (based on invoice date) net of impairment allowance is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
30 days or below	**69,976**	77,234
31–60 days	**71,505**	64,505
61–90 days	**40,393**	35,510
91–180 days	**10,442**	4,599
181–360 days	**1,251**	224
Over 360 days	**571**	404
	194,138	182,476

The movement in the allowance for impairment of trade receivables is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1st January	**7,588**	12,795
Translation adjustment	**144**	199
Impairment losses recognised	**120**	—
Impairment losses reversed	**(1,032)**	(877)
Amounts written off as uncollectible	**(3,605)**	—
Transfer to assets classified as held for sale	**—**	(4,529)
Carrying amount at 31st December	**3,215**	7,588

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31st December, 2011, the Group's trade receivables of HK$3,215,000 (2010: HK$7,588,000) were impaired and accordingly allowance were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the receivable balances is unlikely to be recovered. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which were impaired and for which allowances were made for at the reporting date is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Over 360 days	**3,215**	7,588

The ageing analysis of trade receivables that are past due but are not considered impaired at the reporting date is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
61–90 days	**40,393**	35,510
91–180 days	**10,442**	4,599
181–360 days	**1,251**	224
Over 360 days	**571**	404
	52,657	40,737

Trade receivables that were not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral over these balances other than rental and building management deposits from tenants of the Group's investment properties.

Trade and other receivables are of short maturity periods and hence the directors consider the carrying amounts of trade and other receivables approximate their fair values.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

The balances are unsecured and repayable on demand. Except for an amount of HK$204,062,000 (2010: HK$233,869,000) which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. The balances due to the subsidiaries were interest-free as at 31st December, 2011 while the balances due to the subsidiaries as at 31st December, 2010 were interest-free except for an amount of HK$721,000 which was interest-bearing at prevailing market rate. The directors consider that the carrying amounts of the balances approximate their fair values.

30. AMOUNT DUE FROM AN ASSOCIATE/AN INVESTEE

The balances due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of these balances approximate their fair values.

31. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**133,448**	109,421
Listed outside Hong Kong	**389,248**	383,657
	522,696	493,078

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 45.

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included cash at bank, in hand and deposited with security brokers.

As at 31st December, 2011, cash balance of the Group denominated in Renminbi ("RMB") amounted to approximately HK$351,584,000 (2010: HK$229,434,000). The RMB is not freely convertible into other currencies.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period.

33. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**80,301**	82,322	**—**	—
Temporary receipts	**18,402**	26,208	**251**	2
Deferred income	**3,263**	6,327	**—**	—
Other payables and accruals	**226,377**	188,370	**14,567**	13,014
Deposit received	**31,991**	19,902	**2,226**	2,155
	360,334	323,129	**17,044**	15,171

Trade and other payables are short term and hence the directors consider the carrying amounts of trade and other payables approximate their fair values.

34. AMOUNT DUE TO A RELATED PARTY/A DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Forward contracts in respect of certain listed share *(note (a))*	**2,730**	4,494
RMB/USD forward contract *(note (b))*	**1,971**	—
	4,701	4,494

Notes:

(a) As at 31st December, 2011, the Group held three forward contracts in respect of certain listed shares in Hong Kong (the "Shares"). The aggregate notional amount of the contracts as at 31st December, 2011 was HK$103,189,000 (2010: HK$156,306,000). Under the contracts, the Group is required to buy certain numbers of the Shares, depending on the market prices of the listed shares on each of the settlement dates during the period of the contracts at the underlying forward prices. When the market prices of the listed shares exceed the knock-out prices as set forth in the contracts, the contracts would be terminated.

Further details about the terms of these contracts are as follows:

	Forward price	Number of Shares# Lower	Number of Shares# Higher	Knock-out price	Maturity date
Contract 1	*HK$116.2445*	*2,000*	*4,000*	*HK$143.85*	*13th April, 2012*
Contract 2	*HK$120.9825*	*2,000*	*4,000*	*HK$149.625*	*4th May, 2012*
Contract 3	*HK$5.299*	*70,000*	*140,000*	*HK$6.3298*	*4th January, 2012*

 # To be settled on weekly basis

The above forward contracts which are equity derivatives are not designated as hedging instrument and their fair values are determined by reference to the valuation conducted by a third party financial institution.

These financial instruments are subject to financial risk exposure in term of price risk (note 51.4(a)(ii)).

(b) The notional amount of the forward foreign exchange contract is USD34,102,000. The contract period is one year in general. The amount to be settled by the Group on maturity date depends on the exchange rate of USD against RMB on the maturity date. The fair value of the forward foreign exchange contract is determined by reference to the valuation conducted by a third party financial institution.

This financial instrument is subject to financial risk exposure in term of foreign currency risk (note 51.4(a)(i)).

36. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings				
Current liabilities	**393,302**	394,922	**141,050**	300,000
Non-current liabilities	**219,130**	—	**219,130**	—
	612,432	394,922	**360,180**	300,000
Bank borrowings				
Secured *(note 45)*	**305,878**	341,261	**218,200**	250,000
Unsecured	**306,554**	53,661	**141,980**	50,000
	612,432	394,922	**360,180**	300,000

36. BANK BORROWINGS *(Continued)*

The movement of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	Year ended 31st December, 2011 HK$'000	Year ended 31st December, 2010 HK$'000	**Year ended 31st December, 2011 HK$'000**	Period ended 31st December, 2010 HK$'000
Carrying amount at the beginning of year/period	**394,922**	728,060	**300,000**	—
Transfer under Group Restructuring	**—**	—	**—**	575,586
New bank loans raised	**514,991**	252,978	**114,790**	40,000
Repayment of bank loans	**(297,481)**	(586,116)	**(54,610)**	(315,586)
Carrying amount at the end of year/period	**612,432**	394,922	**360,180**	300,000

The maturity of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current liabilities				
Due within one year	**308,770**	394,922	**141,050**	300,000
Due after one year which contain a repayment on demand clause	**84,532**	—	**—**	—
	393,302	394,922	**141,050**	300,000
Non-current liabilities				
Due in two to five years	**219,130**	—	**219,130**	—
	612,432	394,922	**360,180**	300,000

The analysis of bank borrowings by scheduled repayment is as follows:

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Portion of term loans due for repayment within one year	**308,770**	394,922	**141,050**	300,000
Term loans due for repayment after one year *(note)*				
After one year but within two years	**20,793**	—	**17,870**	—
After two years but within five years	**210,861**	—	**201,260**	—
More than five years	**72,008**	—	**—**	—
	303,662	—	**219,130**	—
	612,432	394,922	**360,180**	300,000

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

36. BANK BORROWINGS *(Continued)*

The carrying amounts of the bank loans are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**330,769**	300,000	**328,200**	300,000
US Dollar	**231,707**	94,922	**31,980**	—
RMB	**49,956**	—	**—**	—
	612,432	394,922	**360,180**	300,000

Among the Group's bank borrowings as at 31st December, 2011, HK$288,071,000 (2010: HK$53,661,000) were arranged at fixed annual interest rates of 0.85%–5.99% (2010: 0.75%–1.02%). The remaining balance of the Group's bank borrowings of HK$324,361,000 (2010: HK$341,261,000) were arranged at floating rates of 2.01%–4.5% (2010: 1.45%–2.01%) per annum.

Among the Company's bank borrowings as at 31st December, 2011, HK$123,180,000 (2010: HK$50,000,000) were arranged at fixed annual interest rates of 0.85%–2.26% (2010: 0.75%). The remaining balance of the Company's bank borrowings of HK$237,000,000 (2010: HK$250,000,000) were arranged at floating rates of 2.01%–2.29% (2010: 1.45%) per annum.

The Group's and the Company's interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.

As at 31st December, 2011, the Group's and the Company's bank borrowings amounted to HK$166,418,000 (2010: HK$3,661,000) and HK$91,980,000 (2010: Nil) respectively were secured by personal guarantee granted by the director, Mr. Billy K Yung.

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current bank borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

37. OTHER LIABILITIES

Other liabilities are unsecured, interest-bearing at fixed amounts as set out in the respective agreements and with maturity dates which vary from 1 to 59 months from the reporting date (2010: 1 to 59 months). The directors consider that the carrying amounts of other liabilities approximate their fair values.

38. LOAN FROM NON-CONTROLLING INTEREST

The loan is unsecured, interest-free and not repayable within twelve months from the reporting date. As assessed by the directors, the difference between the carrying amount of the loan and the fair value of the loan, calculated by discounting the expected future cash flows at prevailing interest rate, is not material.

39. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation HK$'000	Amortisation on intangible assets HK$'000	Allowance on other receivable HK$'000	Revaluation of properties HK$'000	Fair value change in equity securities HK$'000	Total HK$'000
At 1st January, 2010	462	23,282	—	28,166	—	51,910
Translation adjustment	—	936	—	889	—	1,825
Charged/(Credited) to profit or loss	425	5,419	—	31,224	(10,314)	26,754
At 31st December, 2010 and 1st January, 2011	887	29,637	—	60,279	(10,314)	80,489
Translation adjustment	—	1,572	—	2,406	(459)	3,519
Effect of change in tax rate charged to profit or loss	—	—	—	2,886	—	2,886
Charged/(Credited) to profit or loss	846	4,835	(413)	47,007	9,674	61,949
At 31st December, 2011	**1,733**	**36,044**	**(413)**	**112,578**	**(1,099)**	**148,843**

Represented by:

	2011 HK$'000	2010 HK$'000
Deferred tax liabilities	**152,065**	93,362
Deferred tax assets	**(3,222)**	(12,873)
	148,843	80,489

At the reporting date, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognised as deferred tax assets, are analysed as follows:

	2011 HK$'000	2010 HK$'000
2011	**—**	10,332
2012	**10,756**	18,478
2013	**12,559**	11,965
2014	**11,718**	11,165
2015	**3,240**	3,087
2016	**91,189**	—
2017	**2,111**	—
2018	**4,372**	—
2019	**16,089**	1,410
2020	**7,044**	10,629
2021	**11,847**	7,482
2022	**3,297**	3,297
2023	**500**	500
2024	**9,848**	9,848
2025	**4,892**	4,892
2026	**6,104**	1,380
2030	**2,181**	2,181
Carried forward indefinitely	**91,449**	74,922
	289,196	171,568

39. DEFERRED TAX *(Continued)*

THE GROUP *(Continued)*

No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in the PRC except Hong Kong and the USA may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

Deferred tax liabilities of approximately HK$12,766,000 (2010: HK$11,306,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31st December, 2011, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$140,563,000 as at 31st December, 2011 (2010: HK$113,061,000).

THE COMPANY

	Accelerated tax depreciation HK$'000	Allowance on other receivable HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 20th August, 2009 (date of incorporation)	—	—	—	—
Charged/(Credited) to profit or loss	(344)	—	1,774	1,430
At 31st December, 2010 and 1st January, 2011	(344)	—	1,774	1,430
Charged/(Credited) to profit or loss	861	(413)	5,326	5,774
At 31st December, 2011	**517**	**(413)**	**7,100**	**7,204**

For the purposes of presentation of the financial statements, the deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

40. SHARE CAPITAL

	2011 Number of shares '000	Nominal value	2010 Number of shares '000	Nominal value
Authorised				
Ordinary share of US$0.00002 each				
At the beginning of the year/At 20th August, 2009 (date of incorporation)	**600,000**	**US$12,000**	500,000	US$10,000
Increase in authorised capital	**—**	**—**	100,000	US$2,000
At 31st December, 2010 and 2011	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
At the beginning of the year/At 20th August, 2009 (date of incorporation)	**523,485**	**US$10,470**	—	—
Issuance of shares under Group Restructuring	**—**	**—**	523,485	US$10,470
At 31st December, 2010 and 2011	**523,485**	**US$10,470**	523,485	US$10,470
Shown in the financial statements as		**HK$82,000**		HK$82,000

40. SHARE CAPITAL *(Continued)*

The Company was incorporated on 20th August, 2009 and is authorised to issue up to a maximum of 500,000,000 shares of US$0.00002 each, 1 share of which was issued on the incorporation date.

A written resolution was passed on 25th November, 2009 to increase the authorised capital of the Company from US$10,000 divided into 500,000,000 shares of US$0.00002 each to US$12,000 divided into 600,000,000 shares of US$0.00002 each by the creation of additional 100,000,000 shares ranking pari-passu with the existing shares of the Company.

During the year ended 31st December, 2009, the Company has increased the issued capital to 523,484,562 shares by issuing 523,484,561 ordinary shares to Shell Holdings pursuant to the Group Restructuring as detailed in note 2. All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

41. RESERVES

THE GROUP

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Translation reserve

Translation 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 4.18.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in note 4.7.

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulative net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with accounting policy in notes 4.14 and 4.15.

Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

THE COMPANY

Details of the movements on the Company's reserves during the year and in prior period are as follows:

	Dividend reserve HK$'000	**Contributed surplus HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 20th August, 2009 (date of incorporation)	—	—	—	—
Transfer under Group Restructuring *(note 2)*	—	896,524	474,098	1,370,622
Profit and total comprehensive income for the period	—	—	18,799	18,799
At 31st December, 2010 and 1st January, 2011	—	896,524	492,897	1,389,421
Profit and total comprehensive income for the year	—	—	4,719	4,719
Proposed final dividend *(note 13)*	2,617	—	(2,617)	—
At 31st December, 2011	**2,617**	**896,524**	**494,999**	**1,394,140**

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

42. SHARE OPTION SCHEMES

Subsidiaries

The share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), subsidiaries of the Company, became effective on 11th November, 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Details of those share option schemes of the subsidiaries are set out in the Shell Holdings' circular to the shareholders dated 25th October, 2002.

(a) Appeon

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Appeon ("Appeon Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Appeon and/or its subsidiary, must not exceed 30% of the number of the issued shares from time to time (subject to the approval of the shareholders of the Company). At the date of issue of these financial statements, the total maximum number of options available for further issue under the Appeon Scheme amounted to 1,000,984 (subject to approval of the shareholders of the Company) which represented 27.36% of the issued share capital of Appeon (excluding any shares issued pursuant to the Appeon Scheme) on the same date.

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2011 are as follows:

				Number of share options			
Grantee	**Date of grant**	**Period during which options are exercisable**	**Subscription price per share US$**	**As at 1.1.2011**	**Cancelled during the year**	**Granted during the year**	**As at 31.12.2011**
Mr. Billy K Yung	09.06.2003	09.06.2003–10.11.2012	2.50	6,750	–	–	6,750
	09.06.2003	01.10.2003–10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2004–10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2004–10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2005–10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.10.2005–10.11.2012	2.50	3,375	–	–	3,375
	09.06.2003	01.04.2006–10.11.2012	2.50	3,375	–	–	3,375
				27,000	–	–	27,000
Other directors of Appeon	25.11.2002	25.11.2002—10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2003—10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2003—10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2004—10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2004—10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2005—10.11.2012	2.50	563	–	–	563
	25.11.2002	01.10.2005—10.11.2012	2.50	562	–	–	562
	25.11.2002	01.04.2006—10.11.2012	2.50	563	–	–	563
				4,500	–	–	4,500

42. SHARE OPTION SCHEMES *(Continued)*

Subsidiaries *(Continued)*

(a) Appeon *(Continued)*

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2011	Number of share options Cancelled during the year	Granted during the year	As at 31.12.2011
Employees	25.11.2002	25.11.2002—10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2003—10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2003—10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2004—10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2004—10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2005—10.11.2012	2.50	2,688	—	—	2,688
	25.11.2002	01.10.2005—10.11.2012	2.50	2,687	—	—	2,687
	25.11.2002	01.04.2006—10.11.2012	2.50	2,688	—	—	2,688
	02.06.2003	02.06.2003—10.11.2012	2.50	750	—	—	750
	02.06.2003	01.10.2003—10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2004—10.11.2012	2.50	375	—	—	375
	02.06.2003	01.10.2004—10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2005—10.11.2012	2.50	375	—	—	375
	02.06.2003	01.10.2005—10.11.2012	2.50	375	—	—	375
	02.06.2003	01.04.2006—10.11.2012	2.50	375	—	—	375
	26.09.2005	01.03.2006—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2006—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2007—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2007—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2008—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2008—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.03.2009—10.11.2012	3.00	1,250	—	—	1,250
	26.09.2005	01.09.2009—10.11.2012	3.00	1,250	—	—	1,250
				34,500	—	—	34,500
Consultants of Appeon	25.11.2002	25.11.2002—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2003—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2003—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2004—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2004—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2005—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.10.2005—10.11.2012	2.50	1,250	—	—	1,250
	25.11.2002	01.04.2006—10.11.2012	2.50	1,250	—	—	1,250
	09.06.2003	09.06.2003—10.11.2012	0.10	5,106	—	—	5,106
	09.06.2003	01.10.2003—10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2004—10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.10.2004—10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2005—10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.10.2005—10.11.2012	0.10	2,553	—	—	2,553
	09.06.2003	01.04.2006—10.11.2012	0.10	2,554	—	—	2,554
				30,425	—	—	30,425
				96,425	—	—	96,425
				HK$	**HK$**	**HK$**	**HK$**
Weighted average exercise price				15.94	—	—	15.94

42. SHARE OPTION SCHEMES *(Continued)*

Subsidiaries *(Continued)*

(a) Appeon *(Continued)*

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2010 are as follows:

Grantee	Subscription price per share US$	As at 1.1.2010	Number of share options Cancelled during the year	Granted during the year	As at 31.12.2010
Directors of Appeon	2.50	31,500	—	—	31,500
Employees	2.50	24,500	—	—	24,500
	3.00	10,000	—	—	10,000
Consultants of Appeon	2.50	10,000	—	—	10,000
	0.10	20,425	—	—	20,425
		96,425	—	—	96,425
		HK$	HK$	HK$	HK$
Weighted average exercise price		15.94	—	—	15.94

No option was exercised by the grantees during the year and in last year.

The number of options which are exercisable under the Appeon Scheme as at 31st December, 2011 is 96,425 (2010: 96,425). The weighted average remaining contractual life of the outstanding share options under the Appeon Scheme as at 31st December, 2011 is 0.86 years (2010: 1.86 years).

(b) Galactic

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme of Galactic ("Galactic Scheme"), together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of Galactic and/or its subsidiary, must not exceed 30% of the number of issued shares from time to time (subject to the approval of the shareholders of the Company). The total maximum number of options available for further issue under the Galactic Scheme amounted to 1,579,724 as at 31st December, 2011 (subject to approval of the shareholders of the Company) which represented 6.62% of the issued share capital of Galactic (excluding any shares issued pursuant to the Galactic Scheme) on the same date.

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2011 are as follows:

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2011	Number of share options Cancelled during the year	Granted during the year	As at 31.12.2011
Mr. Billy K Yung	09.06.2003	09.06.2003–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2003–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2004–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2004–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2005–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2005–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.06.2006–10.11.2012	0.45	25,000	—	—	25,000
	09.06.2003	01.12.2006–10.11.2012	0.45	25,000	—	—	25,000
				200,000	—	—	200,000

42. SHARE OPTION SCHEMES *(Continued)*

Subsidiaries *(Continued)*

(b) Galactic *(Continued)*

Grantee	Date of grant	Period during which options are exercisable	Subscription price per share US$	As at 1.1.2011	Number of share options Cancelled during the year	Granted during the year	As at 31.12.2011
Other directors of Galactic	25.11.2002	01.06.2003—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2003—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2004—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2004—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2005—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2005—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.06.2006—10.11.2012	0.45	22,500	—	—	22,500
	25.11.2002	01.12.2006—10.11.2012	0.45	22,500	—	—	22,500
	09.06.2003	09.06.2003—10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2003—10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.06.2004—10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2004— 10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.06.2005—10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2005—10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.06.2006—10.11.2012	0.45	10,000	—	—	10,000
	09.06.2003	01.12.2006—10.11.2012	0.45	10,000	—	—	10,000
	31.12.2007	01.01.2008—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2008—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2009—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2009—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2010—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2010—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.01.2011—10.11.2012	0.45	372,832	—	—	372,832
	31.12.2007	01.07.2011—10.11.2012	0.45	372,831	—	—	372,831
				3,242,655	—	—	3,242,655
Employees	25.11.2002	01.06.2003—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2003—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2004—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2004—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2005—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2005—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.06.2006—10.11.2012	0.45	6,250	—	—	6,250
	25.11.2002	01.12.2006—10.11.2012	0.45	6,250	—	—	6,250
	31.12.2007	01.01.2008—10.11.2012	0.45	229,294	—	—	229,294
	31.12.2007	01.07.2008—10.11.2012	0.45	229,287	—	—	229,287
	31.12.2007	01.01.2009—10.11.2012	0.45	229,294	—	—	229,294
	31.12.2007	01.07.2009—10.11.2012	0.45	219,967	—	—	219,967
	31.12.2007	01.01.2010—10.11.2012	0.45	219,973	—	—	219,973
	31.12.2007	01.07.2010—10.11.2012	0.45	219,970	—	—	219,970
	31.12.2007	01.01.2011—10.11.2012	0.45	219,972	—	—	219,972
	31.12.2007	01.07.2011—10.11.2012	0.45	219,970	—	—	219,970
	10.03.2009	10.03.2009—10.11.2012	0.45	111,851	—	—	111,851
	10.03.2009	01.07.2009—10.11.2012	0.45	37,283	—	—	37,283
	10.03.2009	01.01.2010—10.11.2012	0.45	37,283	—	—	37,283
	10.03.2009	01.07.2010—10.11.2012	0.45	37,283	—	—	37,283
	10.03.2009	01.01.2011—10.11.2012	0.45	37,283	—	—	37,283
	10.03.2009	01.07.2011—10.11.2012	0.45	37,283	—	—	37,283
				2,135,993	—	—	2,135,993
				5,578,648	—	—	5,578,648
				HK$	**HK$**	**HK$**	**HK$**
Weighted average exercise price				3.51	—	—	3.51

42. SHARE OPTION SCHEMES (Continued)

Subsidiaries (Continued)

(b) Galactic (Continued)

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2010 are as follow:

Grantee	Subscription price per share US$	As at 1.1.2010	Number of share options Cancelled during the year	Granted during the year	As at 31.12.2010
Directors of Galactic	0.45	3,442,655	—	—	3,442,655
Employees	0.45	2,135,993	—	—	2,135,993
		5,578,648	—	—	5,578,648
		HK$	HK$	HK$	HK$
Weighted average exercise price		3.51	—	—	3.51

No option was exercised by the grantees during the year and in last year.

The number of options which are exercisable under the Galactic Scheme as at 31st December, 2011 is 5,578,648 (2010: 4,318,477). The weighted average remaining contractual life of the outstanding share options under the Galactic Scheme as at 31st December, 2011 is 0.86 years (2010: 1.86 years).

43. DISPOSAL OF SUBSIDIARIES

(a) During the current year, the Group disposed of the entire issued share capital of SMC Cable Limited ("SMC Cable"), a wholly-owned subsidiary of the Company. SMC Cable and its subsidiary are principally engaged in manufacturing and trading cables and electrical wires. The disposal was completed on 3rd May, 2011 and a gain on disposal of the subsidiary of approximately HK$13,971,000 is recorded in the current year.

	2011 HK$'000
Net assets disposed of *(Note)*:	
Property, plant and equipment	**1,343**
Inventories	**12,877**
Trade and other receivables, prepayments and deposits	**702**
Cash and cash equivalents	**4,916**
Trade and other payables	**(11,558)**
Taxation liabilities	**(131)**
	8,149
Gain on disposal of a subsidiary:	
Cash consideration	**11,513**
Net assets disposed of	**(8,149)**
Gain on disposal before recycling of cumulative translation differences	**3,364**
Recycling of cumulative translation differences	**12,511**
Provision for tax	**(1,904)**
Gain on disposal	**13,971**

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

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

	2011 HK$'000
Cash consideration received during the year	11,513
Cash and bank balances disposed of	(4,916)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	6,597

Note: The net assets of SMC Cable amounting to HK$22,290,000 as at 31st December, 2010 was classified as assets held for sale.

(b) During the current year, the Group disposed of its 65% equity interest of 遼寧國力新能源有限公司 which is engaged in energy technology development, to an independent third party at a cash consideration of RMB4,500,000 (equivalent to HK$5,411,000). The transaction was completed on 14th October, 2011 and a gain on disposal of the subsidiary of approximately HK$326,000 is recorded in the current year.

	2011 HK$'000
Net assets disposed of:	
Property, plant and equipment	714
Trade and other receivables, prepayments and deposits	5,653
Cash and cash equivalents	1,978
Trade and other payables	(110)
Non-controlling interests	(2,881)
	5,354
Gain on disposal of a subsidiary:	
Cash consideration	5,411
Net assets disposed of	(5,354)
Gain on disposal before recycling of cumulative translation differences	57
Recycling of cumulative translation differences	269
Gain on disposal	326

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

	2011 HK$'000
Cash consideration received during the year	5,411
Cash and bank balances disposed of	(1,978)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	3,433

44. RETIREMENT BENEFITS SCHEMES

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

The employees of the subsidiaries under the Group which operate 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 expenses recognised in profit or loss of HK$3,963,000 (2010: HK$3,500,000) represent contributions paid/payable to these schemes by the Group in the current year.

45. PLEDGE OF ASSETS

At the reporting date, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analysed as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Investment properties	**131,820**	156,000
Investments held for trading	**13,232**	39,442
Pledged cash deposits	**3,032**	—
	148,084	195,442

As at 31st December, 2011 the entire issued share capital of a subsidiary, Full Revenue Inc, was pledged to a bank to secure for the banking facilities granted to the Group. A long-term loan was granted to the Group under the facilities during the year ended 31st December, 2011 and the net asset value of the subsidiary as at 31st December, 2011 was approximately HK$399 million (2010: HK$351 million).

46. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating leases arrangements. Leases of these properties are negotiated for period ranging from one to six years (2010: one to six years), and rentals are fixed over the contracted period. At the end of each reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,280**	3,592	**2,016**	2,016
In the second to fifth year, inclusive	**391**	2,009	**4,800**	5,616
Over five years	**—**	—	**2,100**	3,300
	2,671	5,601	**8,916**	10,932

46. OPERATING LEASE COMMITMENTS *(Continued)*

As lessor

The Group leases its investment properties (note 15) under operating lease arrangements with leases negotiated for period ranging one to twenty-four years (2010: one to fourteen years). At the reporting date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**37,811**	54,743	**5,446**	7,884
In the second to fifth year, inclusive	**108,200**	109,668	**—**	1,980
Over five years	**5,457**	1,759	**—**	—
	151,468	166,170	**5,446**	9,864

47. OTHER COMMITMENTS

As at the reporting date, the Group and the Company had other significant commitments as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for but not provided in the financial statements:				
Purchase of property, plant and equipment	**2,712**	—	**—**	—

48. GUARANTEE

As at the reporting date, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantee given to:				
Bank for credit facilities granted to certain subsidiaries	**—**	—	**377,384**	—

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

49. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

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

	Related parties		Director	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest received	**—**	7,233	**—**	—
Service income received from	**—**	—	**—**	1,803
Service fee paid to	**—**	—	**(4,575)**	(3,375)

Service fee paid to the director, Mr. Billy K Yung, is for procuring for obtaining banking facilities by the Group which is charged on the basis of 1.5% (2010: 1.5%) on the facilities obtained. Other related party transactions are arranged on mutually agreed basis.

49. RELATED PARTY TRANSACTIONS *(Continued)*

Total staff costs include compensations to the key management personnel (including directors), the details of which are as follows:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	**18,803**	22,378
Post-employment benefits	**423**	332
	19,226	22,710

50. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and cash equivalents and pledged cash deposits. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31st December, 2011 and 2010 were as follows:

	2011 HK$'000	2010 HK$'000
Debt	**612,432**	394,922
Less: cash and cash equivalents and pledged cash deposits	**(411,639)**	(491,873)
Net debt/(cash)	**200,793**	(96,951)
Capital represented by total equity	**2,376,964**	2,336,588
Gearing ratio	**8.45%**	N/A

The Group targets to maintain a gearing ratio of not higher than 50% to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

51. FINANCIAL INSTRUMENTS

51.1 Categories of financial instruments

	THE GROUP 2011 HK$'000	THE GROUP 2010 HK$'000	THE COMPANY 2011 HK$'000	THE COMPANY 2010 HK$'000
Financial assets				
Financial assets at fair value through profit or loss — investments held for trading	**522,696**	493,078	**—**	—
Loans and receivables#	**727,914**	793,490	**1,694,460**	1,654,230
Available-for-sale financial assets	**24,579**	16,539	**3,300**	3,300
Financial liabilities				
Financial liabilities at fair value through profit or loss — derivative financial instruments	**4,701**	4,494	**—**	—
Financial liabilities at amortised cost^	**960,526**	697,023	**390,973**	348,892

51. FINANCIAL INSTRUMENTS *(Continued)*

51.1 Categories of financial instruments *(Continued)*

including trade and other receivables, loans receivable, amounts due from subsidiaries, associates and other related parties, pledged cash deposits and cash at bank and deposited with security brokers.

^ *including trade payables, other payables and accruals, amounts due to subsidiaries, associates and other related parties, bank borrowings and other liabilities.*

51.2 Financial results by financial instruments

	THE GROUP 2011 HK$'000	2010 HK$'000
Fair value loss on:		
Financial assets at fair value through profit or loss		
— investments held for trading	**(87,385)**	(20,185)
Derivative financial instruments	**(207)**	(4,494)
Increase in fair value of:		
Available-for-sale financial assets	**9,881**	8,038
Interest income or (expenses) on:		
Loans and receivables	**9,867**	18,521
Financial liabilities at amortised cost	**(12,059)**	(8,256)
Dividend income from:		
Financial assets at fair value through profit or loss		
— investments held for trading	**2,243**	4,859
Impairment loss on:		
Loans and receivables	**(6,542)**	(11,071)
Available-for-sale financial assets	**(1,761)**	—

51.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

51.4 Financial risk management

(a) Market risk

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK Dollars and RMB with certain of their business transactions being settled in US Dollars and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US Dollar and RMB, against the functional currency of the Company and the Group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continue to conduct its sales mainly in US Dollars and RMB and make payments either in US Dollars, HK Dollars or RMB. In addition, the Group's bank borrowings were mainly denominated in HK Dollars and US Dollars. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

51. FINANCIAL INSTRUMENTS *(Continued)*

51.4 Financial risk management *(Continued)*

(a) Market risk *(Continued)*

(i) Foreign currency risk (Continued)

The overall net exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31st December, 2011 and 2010 were as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Net financial assets		
US Dollars	**117,676**	184,158
RMB	**19,892**	5,704

In respect of those group entities with HK Dollars as functional currency, as HK Dollar is linked to US Dollar, the Group does not have material exchange risk on such currency. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK Dollars on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
	Decrease/ (Increase) in loss for the year and increase/ (decrease) in retained profits	Increase/ (Decrease) in profit for the year and retained profits
RMB against HK Dollars		
— strengthen by 5% (2010: 5%)	**748**	238
— weaken by 5% (2010: 5%)	**(748)**	(238)

The changes in the exchange rate do not affect the Group's other components of equity.

(ii) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rate). The Group is exposed to equity price risk because of its investments in equity securities held for trading (see note 31) and the available-for-sale financial assets (note 23).

The Group's investments in equity of other entities are publicly traded mainly in the stock exchanges of Hong Kong and Mainland China. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity and debt securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as energy, industrial goods and financial services. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

51. FINANCIAL INSTRUMENTS *(Continued)*

51.4 Financial risk management *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk (Continued)

Management's best estimate of the effect on the Group's results due to a reasonably possible change in the relevant stock market index, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
	Decrease/ (Increase) in loss for the year and increase/ (decrease) in retained profits	Increase/ (Decrease) in profit for the year and retained profits
Hong Kong — Hang Seng Index		
+26% (2010: +18%)	**34,696**	19,696
–26% (2010: –18%)	**(34,696)**	(19,696)
PRC — CSI 300 Index		
+21% (2010: +25%)	**81,742**	94,224
–21% (2010: –25%)	**(81,742)**	(94,224)

If the prices of the equity securities classified as available-for-sale financial assets had been 26% (2010: 18%) higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$5,470,000 (2010: HK$2,009,000).

Other than the above, the Group is exposed to equity security price risk arising from its investment in derivative financial instruments relating to equity securities. Details about the derivative financial instruments are set out in note 35. The effect on the Group's loss after tax as a result of a reasonably possible change in the market price of the underlying equity securities, with all other variables held constant, is as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
	Decrease/ (Increase) in loss for the year and increase/ (decrease) in retained profits	Increase/ (Decrease) in profit for the year and retained profits
Hong Kong — Hang Seng Index		
*+26% (2010: +18%)	**2,328**	17,095
–26% (2010: –18%)	**(4,656)**	(47,946)
United States — NASDAQ		
2010: +20%	**—**	542
2010: –20%	**—**	(13,284)

* *When the underlying shares' market prices increased by 26%, some of them triggers the knock-out prices and the contracts will be terminated. This analysis only shows the effect up to the knock-out prices.*

51. FINANCIAL INSTRUMENTS *(Continued)*

51.4 Financial risk management *(Continued)*

(a) Market risk *(Continued)*

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31st December, 2011, approximately 53% (2010: 86%) of the bank borrowings bore interest at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at the year end are disclosed in note 36.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits and bank borrowings to fair value interest rate risk is not significant as interest bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease/(Increase) in loss for the year or increase/(decrease) in profit for the year and increase/(decrease) in retained profits				
Increase/Decrease in basis points ("bp")				
+50 bp (2010: +50 bp)	**(1,388)**	(1,460)	**(989)**	(1,044)
–10 bp (2010: –10 bp)	**278**	292	**198**	209

The changes in interest rates do not affect the Group's and the Company's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at the reporting date resembles that of the current financial year.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal only with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at the end of each reporting year to ensure that adequate impairment losses are made for irrecoverable amounts. Credit risk on cash and cash equivalents (note 32) is mitigated as cash is deposited in banks of high credit rating. As to investment strategies, usually investments are in liquid securities quoted on recognised stock exchanges. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

51. FINANCIAL INSTRUMENTS *(Continued)*

51.4 Financial risk management *(Continued)*

(b) Credit risk *(Continued)*

Concentration of credit risk is managed by the customer/counterparty. At 31st December, 2011, 14% (2010: 20%) of the total trade receivables was due from the Group's largest customer (determined by sale) within the business segment — electrical appliances.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 28.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities of the Group's and the Company's financial liabilities as at 31st December, 2011 which are based on contractual undiscounted cash flows and the earliest date the Group and the Company may be required to pay:

THE GROUP

	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31st December, 2011						
Interest-bearing bank borrowings *(note (a))*	**398,167**	**22,141**	**202,838**	**—**	**623,146**	**612,432**
Trade payables	**80,301**	**—**	**—**	**—**	**80,301**	**80,301**
Other payables and accruals	**240,960**	**—**	**—**	**—**	**240,960**	**240,960**
Amount due to a related party	**291**	**—**	**—**	**—**	**291**	**291**
Other liabilities	**2,433**	**23,211**	**535**	**—**	**26,179**	**22,140**
Loan from non-controlling interest	**—**	**—**	**—**	**4,402**	**4,402**	**4,402**
	722,152	**45,352**	**203,373**	**4,402**	**975,279**	**960,526**
As at 31st December, 2010						
Interest-bearing bank borrowings	398,339	—	—	—	398,339	394,922
Trade payables	82,322	—	—	—	82,322	82,322
Other payables and accruals	188,370	—	—	—	188,370	188,370
Amount due to a related party	291	—	—	—	291	291
Amount due to a director	8,875	—	—	—	8,875	8,875
Other liabilities	2,317	3,898	16,613	—	22,828	18,406
Loan from non-controlling interest	—	—	—	3,837	3,837	3,837
	680,514	3,898	16,613	3,837	704,862	697,023

51. FINANCIAL INSTRUMENTS *(Continued)*

51.4 Financial risk management *(Continued)*

(c) Liquidity risk *(Continued)*

THE COMPANY

	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31st December, 2011						
Interest-bearing bank borrowings *(note (a))*	**145,915**	**22,141**	**202,838**	**—**	**370,894**	**360,180**
Other payables and accruals	**14,567**	**—**	**—**	**—**	**14,567**	**14,567**
Amounts due to subsidiaries	**16,226**	**—**	**—**	**—**	**16,226**	**16,226**
	176,708	**22,141**	**202,838**	**—**	**401,687**	**390,973**
As at 31st December, 2010						
Interest-bearing bank borrowings	301,447	—	—	—	301,447	300,000
Other payables and accruals	13,014	—	—	—	13,014	13,014
Amounts due to subsidiaries	27,003	—	—	—	27,003	27,003
Amount due to a director	8,875	—	—	—	8,875	8,875
	350,339	—	—	—	350,339	348,892

Notes:

(a) For term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The table that follows summaries the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

THE GROUP
Maturity analysis — bank borrowings based on scheduled repayments

	Within 1 year HK$'000	In 2 to 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash outflows HK$'000	Total carrying amount HK$'000
31st December, 2011	**317,617**	**251,649**	**77,695**	**646,961**	**612,432**
31st December, 2010	398,339	—	—	398,339	394,922

(b) The contractual financial guarantees provided by the Company are disclosed in note 48. As assessed by the directors, it is not probable that the banks would claim the Company for losses in respect of the guarantee contracts and it is not probable that the subsidiaries of the Company would default repayment of bank loans. Accordingly, no provision for the Company's obligations under the guarantees has been made. The contractual maturity of these guarantees is "on demand".

51. FINANCIAL INSTRUMENTS *(Continued)*

51.5 Fair value estimation

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31st December, 2011 and 2010 across the three levels of the fair value hierarchy defined in HKFRS 7 "Financial Instruments: Disclosures", with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31st December, 2011				
Financial assets				
Available-for-sale financial assets				
— listed equity securities	**21,040**	**—**	**—**	**21,040**
Listed equity securities held for trading	**522,696**	**—**	**—**	**522,696**
Financial liabilities				
Derivative financial instruments	**—**	**4,701**	**—**	**4,701**
As at 31st December, 2010				
Financial assets				
Available-for-sale financial assets				
— listed equity securities	11,159	—	—	11,159
Listed equity securities held for trading	493,078	—	—	493,078
Financial liabilities				
Derivative financial instruments	—	4,494	—	4,494

During the years ended 31st December, 2011 and 2010, there were no transfers between instruments in Level 1 and Level 2.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost (excluding the non-current portion, if applicable) are not materially different from their fair values as at 31st December, 2011 due to short maturity period.

The fair values of the non-current portion of bank borrowings and other liabilities have been calculated by discounting the expected future cash flows using market rate of similar instruments.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31st December, 2011 are as follows:

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Securities trading
Famous Union Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	–	100%	Property development
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property investment
Fortress Link Investment Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property development
Full Revenue Inc.	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Galactic Computing Corporation	British Virgin Islands	Ordinary	23,861,240 shares of US$0.01 each	–	100%	Investment holding
Grand Sea Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Guangzhou SMC Car Rental Company Limited	PRC^	Paid up capital	HK$93,000,000	–	100%	Taxi operations
Landwick Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property development
Netlink Assets Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Computer software development
New Style Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property development
PFC Device Corporation	British Virgin Islands	Preferred	2,122,820 shares of US$1 each	–	89.77%	Design and trading of semiconductors and electric components
Quanta Global Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	–	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 shares of US$10 each	–	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Sdn. Bhd.	Malaysia	Ordinary	2 shares of RM1 each	–	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	Samoa	Ordinary	1 share of US$1	–	100%	Trading of electric fans
Shell Electric Mfg. (H.K.) Company Limited	Hong Kong	Ordinary	1,000 shares of HK$10 each	100%	–	Trading of electric fans
Shunde Hua Feng Stainless Steel Welded Tubes Limited	PRC*	Paid up capital	US$6,792,000	–	90.1%	Manufacturing and trading of welded tubes and property investment

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Silvergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Property investment
SMC LED Corporation	USA	Ordinary	500 shares of US$1 each	100%	–	Trading of LED products
SMC Marketing Corp.	USA	Ordinary	10,000 shares of US$1,021 each	100%	–	Marketing of the Group's products
SMC Microtronic Company Limited	Hong Kong	Ordinary	10,000 shares of HK$1 each	100%	–	Provision of management services
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Contract manufacturing for optics and imaging
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Contract manufacturing for optics and imaging
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$1 each	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$1 each	–	100%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	1 share of HK$1	100%	–	Holding trade mark and patent of the Group
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding
Timely Hero Limited	Samoa	Ordinary	1 share of US$1	100%	–	Investment holding
Vineyard Management Company	USA	Ordinary	1,000 shares of US$10 each	–	100%	Property investment
Wellfame Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property development
佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	–	100%	Manufacturing and trading of electrical appliances
業盈置業(深圳)有限公司	PRC^	Paid up capital	HK$10,000,000	–	100%	Property investment
蜆壳星盈科技(深圳)有限公司	PRC^	Paid up capital	HK$40,000,000	–	100%	Computer software and hardware development

The financial statements for the above subsidiaries were audited by BDO Limited for statutory purpose and/or for the purpose of Group consolidation.

^ *The companies are incorporated in the PRC as wholly-owned foreign enterprises.*

* *The company is incorporated in the PRC as sino-foreign equity joint ventures.*

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the subsidiaries of the Group will be annexed to the next annual return of the Company.

None of the subsidiaries had any debt securities outstanding during the year.

53. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associates	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
MDCL-Frontline (China) Limited	British Virgin Islands	Ordinary	65,269,561 shares of HK$1 each	—	26.66%	Trading of computer hardware, provision of information technology services and investment holding
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	—	40%	Property investment
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	10,000,000 shares of HK$1 each	—	20%	Investment holding
Kumagai SMC Development (Guangzhou) Ltd.	PRC^	Paid up capital	US$59,000,000	—	20%	Property development

The financial statements for the above associates were audited by BDO Limited for the purpose of Group consolidation.

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group.

54. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

Name of jointly controlled entities	Place of Incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Appeon Corporation (HK) Limited	Hong Kong	Class A voting	25,000 shares of HK$0.01 each	—	50%	Investment holding and sale of software licence
		Class B non-voting	26,181 shares of HK$0.01 each	—	51.18%	
艾普陽軟件(深圳)有限公司	PRC^	Paid up capital	US$500,000	—	51.18%	Computer software and hardware development

The financial statements for the above jointly controlled entities were audited by BDO Limited for the purpose of Group consolidation.

^ *The company is incorporated in the PRC as a wholly-owned foreign enterprise.*