ANNUAL REPORT
2012

蜆殼電器控股有限公司
SHELL ELECTRIC HOLDINGS LIMITED

CONTENTS

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. HUEN Po Wah

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

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31st December, 2012 amounted to HK$212,635,000. Basic profit per share was HK40.6 cent.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31st December, 2012 (2011: HK0.5 cent per share). The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Monday, 12th August, 2013 (the "AGM"), will be payable on or before Wednesday, 16th October, 2013 to the Members on the register of members of the Company on Wednesday, 21st August, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7th August, 2013 to Monday, 12th August, 2013, 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 Tuesday, 6th August, 2013.

The register of members of the Company will be closed from Monday, 19th August, 2013 to Wednesday, 21st August, 2013, 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 Friday, 16th August, 2013.

BUSINESS REVIEW

Electric Fans

The Group's ceiling fans business remained stable in 2012 year on year. Business growth in North America and Africa was still on track with more promising sales growth in Australia. However, Eurasian markets stumbled with the market in Europe remaining on the weaker side, dampening any expectation for a turnaround in the near future. The North American market began to see a recovery but delivered mediocre performance, thus contributing a precarious and negative outlook for the market.

Contract Manufacturing — Optics and Imaging

An increase in sales volume and turnover of the Group's Optics and Imaging Contract Manufacturing business was recorded in 2012 compared to 2011. The overall growth resulted from a ramp-up in production of existing models with production of new models of Paper Handling Options putting on line in the second quarter.

Contract Manufacturing — Electric and Electronics

The overall sales volume and sales amount for year 2012 had edged down year on year due to dwindling orders in Telephone and Hearing Aids. For Electrical Household Appliances Division, sales volume of two models has slumped by half compared with 2011 due to economic uncertainties and lowering prices.

LED Lighting Products

Due to the large orders of light bulbs and tubes placed during the first half of 2012, LED Lighting products business has recorded increases in both sales volume and sales turnover for year 2012.

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 has increased to 694 from 670. The company currently owns 792 Guangzhou taxi operating licenses, and holds 20 taxi operating licenses with a 5-year operating term allocated from the Guangzhou Government, making a total of 812 taxi licenses. For strategic growth in the future, the company will acquire additional taxi operating licenses, consider acquiring other taxi rental companies and further secure allocation of taxi operating licenses offered by the Guangzhou Government via competition from time to time.

Real Estate Investment & Development

The Group's PRC properties portfolio which primarily composed of investment properties in Guangzhou CITIC Plaza and the hi-tech manufacturing facility in Shenzhen Futian Free Trade Zone continued to provide steady rental income contribution to the Group during the year and occupancy rates were also stable.

During 2012, the occupancy rate of the office complex in Livermore, California remained low after the major tenant moved out early in the year. Livermore's office market continued to show slow progress in 2013. Due to abundant supply of office space in the close proximity, it is expected that there will need to be a greater net absorption of overall office space before any real recovery commences.

The Group's investment properties located in Chai Wan, Hong Kong continued to provide a steady stream of rental income to the Group for the period under review.

The Group had started to acquire lands in the New Territories for the development of low density residential properties and other developments since 2010. As at the end of 2012, an aggregate of 14,982 sq. m. had been acquired by the Group. In the past year, the Group focused only on land planning work without acquiring any further new projects in the New Territories.

Technology Investment

Semiconductor Device Products

2012 continued to be a strong year for PFC with over 45% revenue growth recorded. The company has penetrated into five of the top ten major suppliers of power supply and has also significantly expanded its product portfolio to cover the consumer (e.g., mobile, tablet, laptop, TV, etc.), green energy (e.g., LED, Solar, etc.), and industrial (e.g., welding machines, inverters, etc.) markets. 2012 also saw the launch of the company's new high performance Trench Schottky product line and granting of several key patents in China, Taiwan, and the United States.

Enterprise Software Solutions

During the year, Appeon saw steady demand for its Web development software and IT outsourcing services. The company successfully launched a beta version of its new mobile app development product for SAP customers (Appeon Mobile) in December 2012. Appeon Mobile has been positively received in the marketplace and has been featured in key trade publications, conferences, and Websites. Over 800 companies registered as beta testing sites. The product was scheduled for general availability in May 2013. The company also successfully secured a marketing partnership with SAP AG, wherein Appeon products are promoted to SAP customers via SAP Website, events, publications, and other channels. As the new Appeon Mobile comes to market and begins to sell, the company is forecasting significant increase in turnover for 2013 and beyond.

Financial Investment

For the year ended 31st December, 2012, the Group's financial investment activities recorded profit of approximately HK$129,815,000 and the market value of the Group's financial investment holdings amounted to about HK$730,785,000.

REVENUE AND OPERATING RESULTS

Revenue from the Group's continuing operations for the year ended 31st December, 2012 totalled HK$1,217 million, representing an increase of HK$73 million or 6.4% compared to HK$1,144 million for the corresponding period last year. The increase in revenue stemmed mainly from the increase in sales volume of laser scanner units and paper handling options.

Profit attributable to the owners of the company for the year ended 31st December, 2012 rocketed to HK$213 million from HK$8 million (restated) representing an increase of HK$205 million or 2,563% over the corresponding period last year. The surge in profit was mainly attributable to (i) increase in fair value gain of HK$200 million on securities trading and derivative financial instruments within the Group ; (ii) increase in fair value gain (net of deferred taxation and non-controlling interest) of HK$50 million on certain investment properties within the Group ; and (iii) partly offset by the increase in loss of HK$32 million in the manufacturing business mainly from electric fans.

During the period under review, occupancy rate of the office complex in Livermore, California, fell by 17% year on year due to continued 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$10.8 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$259 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, 2012, calculated as operating profit divided by total interest expenses net of interest income, stood at 185 times (31st December, 2012: 12 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 adopt and follow its policy of maintaining a prudent gearing ratio. As at 31st December, 2012, the Group recorded a 6.07% gearing ratio (31st December, 2011: 8.31% (restated)), expressed as a percentage of total bank borrowings net of cash and pledged cash deposits to total equity of the Group.

SIGNIFICANT ACQUISITION

On 29th April, 2013, the Group acquired an additional 47.47% equity interest in MDCL-Frontline (China) Limited ("MDCL") for a consideration of US$3,900,000 (the "Acquisition"). With the Acquisition, the Group increased its equity interest in MDCL from 26.66% to 74.13%.

Other than the above, there is no significant acquisition 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$2.6 million for LED products manufacturing. In addition, the Company issued guarantees to the banks amounting to HK$482 million to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totalling HK$62 million during the period under review.

During the period under review, the Group had charges on assets totalling HK$129 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, 2012, the Group has approximately 3,240 employees. The pay levels of these employees are commensurate with their responsibilities, performance and market condition.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2012.

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 53 to note 55 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 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated income statement on page 10.

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 HK 0.5 cent per share to the shareholders on the register of members on Wednesday, 21st August, 2013, 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 15 and note 41 to the financial statements respectively.

DIVIDEND RESERVE

Dividend reserve of the Company at 31st December, 2012, calculated under the Companies Act 1981 of Bermuda (as amended) amounted to HK$2,617,000 (2011 : HK$2,617,000).

DONATIONS

During the year, the Group made charitable and other donations totalling HK$12,828,000 (2011: HK$11,010,000).

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 15 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

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. Billy K Yung and Madam Vivian Hsu 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, 2012, the five largest customers accounted for approximately 61% of the total sales of the Group's turnover, of which 19% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for less than 33% 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, 2012.

AUDITOR

The financial statements for the year ended 31st December, 2012 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, 24th June, 2013

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.

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 9.

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, 2012.

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 10 to 80, which comprise the consolidated and company statements of financial position as at 31st December, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and 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, 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 24th June, 2013

BDO Limited
香港立信德豪會計師事務所有限公司

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CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000 (Restated)
Revenue	*5*	**1,216,543**	1,144,429
Cost of sales and services provided		**(997,316)**	(930,051)
Gross profit		**219,227**	214,378
Other income	*7*	**51,893**	27,833
Distribution and selling expenses		**(18,620)**	(17,398)
Administrative expenses		**(193,142)**	(178,680)
Other operating expenses		**(67,127)**	(20,547)
Other gains/(losses)			
Fair value gain on investment properties	*14*	**96,203**	82,873
Fair value gain/(loss) on investments held for trading		**107,936**	(87,385)
Fair value gain/(loss) on derivative financial instruments		**4,953**	(207)
Gain on disposal of subsidiaries	*43*	**—**	14,297
Impairment loss on available-for-sale financial assets		**(1,334)**	(1,761)
Write down of inventories of properties		**—**	(10,171)
Others		**4,120**	2,519
Operating profit		**204,109**	25,751
Finance costs	*9*	**(22,048)**	(16,984)
Share of results of associates		**61,861**	51,941
Share of results of jointly controlled entities		**3,752**	5,821
Profit before income tax	*8*	**247,674**	66,529
Income tax expense	*10*	**(35,634)**	(59,284)
Profit for the year		**212,040**	7,245
Profit for the year attributable to:			
Owners of the Company		**212,635**	8,350
Non-controlling interests		**(595)**	(1,105)
		212,040	7,245
		HK Cents	HK Cents (Restated)
Earnings per share			
— Basic and diluted	*13*	**40.6**	1.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	2012	2011
	HK$'000	HK$'000
		(Restated)
Profit for the year	**212,040**	7,245
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
— subsidiaries	**32,621**	41,172
— associates and jointly controlled entities	**86**	6,306
Reclassification adjustment for translation differences recycled to profit or loss upon written-off/disposal of overseas operations	**(1,212)**	(12,780)
Fair value changes on available-for-sale financial assets	**51,100**	9,881
Fair value adjustment upon transfer of owners-occupied properties to investment properties	**—**	1,388
Other comprehensive income for the year, net of tax	**82,595**	45,967
Total comprehensive income for the year	**294,635**	53,212
Total comprehensive income attributable to:		
Owners of the Company	**295,209**	54,276
Non-controlling interests	**(574)**	(1,064)
	294,635	53,212

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2012

	NOTES	**As at 31st December, 2012 HK$'000**	As at 31st December, 2011 HK$'000 (Restated)	As at 1st January, 2011 HK$'000 (Restated)
Non-current assets				
Investment properties	14	**875,776**	779,203	663,099
Property, plant and equipment	15	**268,513**	252,115	190,780
Prepaid lease rental on land	16	**9,612**	9,909	16,975
Prepayments for acquisition of property, plant and equipment		**2,716**	—	—
Goodwill	17	**4,393**	4,393	4,393
Other intangible assets	18	**229,528**	228,913	219,679
Interests in associates	20	**594,388**	566,239	524,027
Interests in jointly controlled entities	21	**7,156**	6,123	4,532
Available-for-sale financial assets	22	**166,428**	24,579	16,539
Other assets	23	**42,897**	38,446	34,180
Loans receivable	24	**47,027**	60,668	94,091
Finance lease receivables	25	**1,554**	—	—
Deferred tax assets	39	**5,047**	3,222	12,873
		2,255,035	1,973,810	1,781,168
Current assets				
Inventories of properties	26	**195,123**	192,196	51,224
Other inventories	27	**177,521**	163,996	142,657
Trade and other receivables, prepayments and deposits	28	**245,827**	263,872	242,496
Prepaid lease rental on land	16	**295**	295	460
Loans receivable	24	**560**	31,203	7,156
Amount due from an associate	30	**397**	401	148
Amounts due from investees	30	**566**	12,474	5,108
Amount due from non-controlling interest	30	**2,867**	—	—
Investments held for trading	31	**567,657**	522,696	493,078
Finance lease receivables	25	**1,702**	—	—
Tax prepaid		**1,692**	12,766	7,567
Derivative financial instruments	35	**252**	—	—
Pledged cash deposits	45	**—**	3,032	—
Cash and bank balances	32	**464,078**	408,607	491,873
		1,658,537	1,611,538	1,441,767
Assets classified as held for sale		**—**	—	22,290
		1,658,537	1,611,538	1,464,057

	NOTES	As at 31st December, 2012 HK$'000	As at 31st December, 2011 HK$'000 (Restated)	As at 1st January, 2011 HK$'000 (Restated)
Current liabilities				
Trade and other payables	33	**340,107**	360,334	323,129
Amount due to a related party	34	**291**	291	291
Amounts due to directors	34	**24,500**	—	8,875
Government grants		**464**	—	—
Taxation liabilities		**40,737**	52,019	61,321
Derivative financial instruments	35	**—**	4,701	4,494
Bank borrowings	36	**395,424**	393,302	394,922
Other liabilities	37	**4,354**	2,385	2,144
		805,877	813,032	795,176
Net current assets		**852,660**	798,506	668,881
Total assets less current liabilities		**3,107,695**	2,772,316	2,450,049
Non-current liabilities				
Bank borrowings	36	**233,260**	219,130	—
Other liabilities	37	**20,139**	19,755	16,262
Loan from non-controlling interest	38	**4,671**	4,402	3,837
Government grants		**1,393**	—	—
Deferred tax liabilities	39	**135,718**	112,662	63,914
		395,181	355,949	84,013
Net assets		**2,712,514**	2,416,367	2,366,036
Capital and reserves				
Share capital	40	**82**	82	82
Reserves	41	**2,699,565**	2,406,973	2,352,697
Equity attributable to owners of the Company		**2,699,647**	2,407,055	2,352,779
Non-controlling interests		**12,867**	9,312	13,257
Total equity		**2,712,514**	2,416,367	2,366,036

BILLY K YUNG
Director

DAVID CHOW KAI CHIU
Director

STATEMENT OF FINANCIAL POSITION

As at 31st December, 2012

	NOTES	**As at 31st December, 2012 HK$'000**	As at 31st December, 2011 HK$'000 (Restated)	As at 1st January, 2011 HK$'000 (Restated)
Non-current assets				
Investment properties	14	**62,100**	45,600	36,470
Property, plant and equipment	15	**4,059**	5,991	8,206
Interests in subsidiaries	19	**9,530**	2,861	2,861
Available-for-sale financial assets	22	**3,300**	3,300	3,300
Other assets	23	**42,897**	38,446	34,180
Deferred tax assets	39	**—**	—	344
		121,886	96,198	85,361
Current assets				
Trade and other receivables, prepayments and deposits	28	**1,555**	4,426	3,430
Loans receivable	24	**—**	25,163	5,905
Amounts due from subsidiaries	29	**1,678,935**	1,657,811	1,561,864
Tax prepaid		**—**	741	—
Pledged cash deposits		**—**	3,032	—
Cash and bank balances	32	**14,177**	7,505	86,386
		1,694,667	1,698,678	1,657,585
Current liabilities				
Trade and other payables	33	**27,597**	17,044	15,171
Amounts due to subsidiaries	29	**29,299**	16,226	27,003
Amounts due to directors	34	**12,500**	—	8,875
Taxation liabilities		**668**	—	620
Bank borrowings	36	**140,330**	141,050	300,000
		210,394	174,320	351,669
Net current assets		**1,484,273**	1,524,358	1,305,916
Total assets less current liabilities		**1,606,159**	1,620,556	1,391,277
Non-current liabilities				
Bank borrowings	36	**233,260**	219,130	—
Deferred tax liabilities	39	**41**	104	—
		233,301	219,234	—
Net assets		**1,372,858**	1,401,322	1,391,277
Capital and reserves				
Share capital	40	**82**	82	82
Reserves	41	**1,372,776**	1,401,240	1,391,195
Total equity		**1,372,858**	1,401,322	1,391,277

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2012

	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, 2011, as previously reported	82	273,360	8,038	194,699	1,645	—	6,790	1,838,717	2,323,331	13,257	2,336,588
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	—	—	—	—	—	29,448	29,448	—	29,448
At 1st January, 2011, as restated	82	273,360	8,038	194,699	1,645	—	6,790	1,868,165	2,352,779	13,257	2,366,036
Net loss for the year	—	—	—	—	—	—	—	(1,605)	(1,605)	(1,105)	(2,710)
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	—	—	—	—	—	9,955	9,955	—	9,955
Profit for the year, as restated	—	—	—	—	—	—	—	8,350	8,350	(1,105)	7,245
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 14)*	—	—	—	—	1,388	—	—	—	1,388	—	1,388
Total comprehensive income for the year, as restated	—	—	*9,881*	*34,657*	*1,388*	—	—	*8,350*	*54,276*	*(1,064)*	*53,212*
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	(2,881)	(2,881)
Proposed final dividend *(note 12)*	—	—	—	—	—	2,617	—	(2,617)	—	—	—
Transactions with owners	—	—	—	—	—	*2,617*	—	*(2,617)*	—	*(2,881)*	*(2,881)*
At 31st December, 2011, as restated	82	273,360	17,919	229,356	3,033	2,617	6,790	1,873,898	2,407,055	9,312	2,416,367
At 1st January, 2012, as restated	**82**	**273,360**	**17,919**	**229,356**	**3,033**	**2,617**	**6,790**	**1,873,898**	**2,407,055**	**9,312**	**2,416,367**
Profit for the year	—	—	—	—	—	—	—	**212,635**	**212,635**	**(595)**	**212,040**
Exchange difference arising from translation of overseas operations											
— subsidiaries	—	—	—	**32,600**	—	—	—	—	**32,600**	**21**	**32,621**
— associates and jointly controlled entities	—	—	—	**86**	—	—	—	—	**86**	—	**86**
Reclassification adjustment for translation differences recycled to profit or loss upon written-off of overseas operations	—	—	—	**(1,212)**	—	—	—	—	**(1,212)**	—	**(1,212)**
Fair value changes on available-for-sale financial assets	—	—	**51,100**	—	—	—	—	—	**51,100**	—	**51,100**
Total comprehensive income for the year	—	—	***51,100***	***31,474***	—	—	—	***212,635***	***295,209***	***(574)***	***294,635***
Capital injection from non-controlling interest	—	—	—	—	—	—	—	—	—	**4,129**	**4,129**
Dividend paid *(note 12)*	—	—	—	—	—	**(2,617)**	—	—	**(2,617)**	—	**(2,617)**
Proposed final dividend *(note 12)*	—	—	—	—	—	**2,617**	—	**(2,617)**	—	—	—
Transactions with owners	—	—	—	—	—	—	—	***(2,617)***	***(2,617)***	***4,129***	***1,512***
At 31st December, 2012	**82**	**273,360**	**69,019**	**260,830**	**3,033**	**2,617**	**6,790**	**2,083,916**	**2,699,647**	**12,867**	**2,712,514**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2012

	2012	2011
	HK$'000	HK$'000
Operating activities		
Profit before income tax	**247,674**	66,529
Adjustments for:		
Share of results of associates	**(61,861)**	(51,941)
Share of results of jointly controlled entities	**(3,752)**	(5,821)
Gain on disposal of subsidiaries	**—**	(14,297)
Fair value gain on investment properties	**(96,203)**	(82,873)
Fair value (gain)/loss on investments held for trading	**(107,936)**	87,385
Fair value (gain)/loss on derivate financial instruments	**(4,953)**	207
Depreciation and amortisation	**37,358**	32,506
Government grants	**(463)**	—
Impairment loss on financial assets	**57,699**	8,303
Write down of inventories of properties	**—**	10,171
Allowance/(Reversal of allowance) of inventories	**4,412**	(11,590)
Write back of long outstanding payables	**—**	(485)
Interest income	**(14,722)**	(9,867)
Interest expenses	**15,826**	12,059
Gain on disposal of property, plant and equipment	**(278)**	(2,673)
Write-off of property, plant and equipment	**237**	71
Exchange difference	**(4,049)**	(1,512)
Operating cash flows before movements in working capital	**68,989**	36,172
Increase in inventories of properties	**(2,927)**	(151,143)
Increase in other inventories	**(17,955)**	(6,067)
Decrease/(Increase) in trade and other receivables, prepayments and deposits	**14,912**	(23,614)
Decrease/(Increase) in amount due from an associate	**4**	(253)
Increase in amounts due from investees	**(855)**	(7,366)
Increase in amount due from non-controlling interest	**(2,867)**	—
Increase in finance lease receivables	**(3,256)**	—
Increase in investments held for trading	**(28,013)**	(117,003)
Decrease in assets classified as held for sale	**—**	19,057
Increase in trade and other payables	**13,052**	31,753
Increase/(Decrease) in amounts due to directors	**24,500**	(8,875)
Cash generated from/(used in) operations	**65,584**	(227,339)
Hong Kong profits tax paid	**(5,335)**	(6,667)
Tax paid in other jurisdictions	**(9,369)**	(13,413)
Net cash generated from/(used in) operating activities	**50,880**	(247,419)

	2012 HK$'000	2011 HK$'000
Investing activities		
Proceeds from disposal of subsidiaries	**—**	10,030
Proceeds from disposal of property, plant and equipment	**1,581**	4,077
Interest element of finance lease receivables	**8**	—
Interest received	**13,905**	8,259
Dividend received from associates	**32,937**	13,931
Dividend received from a jointly controlled entity	**2,644**	4,034
Purchase of property, plant and equipment	**(53,436)**	(94,877)
Purchase of investment properties	**(318)**	(1,121)
Purchase of antiques	**(4,451)**	(12,840)
Prepayments for acquisition of property, plant and equipment	**(2,716)**	—
Proceeds from disposal of antiques	**—**	8,574
Repayment of loans receivable, net	**7,367**	5,350
Additions to available-for-sale of financial assets	**(1,097)**	—
Decrease/(Increase) in bank deposits maturity beyond three months	**25,423**	(134,870)
Decrease/(Increase) in pledged cash deposits	**3,032**	(3,032)
Net cash generated from/(used in) investing activities	**24,879**	(192,485)
Financing activities		
New bank and other borrowings	**646,091**	517,174
Repayment of bank borrowings	**(627,158)**	(297,481)
Dividends paid	**(2,617)**	—
Interest paid	**(15,273)**	(9,878)
Capital contribution from non-controlling interest	**4,129**	—
Net cash generated from financing activities	**5,172**	209,815
Net increase/(decrease) in cash and cash equivalents	**80,931**	(230,089)
Cash and cash equivalents at 1st January	**273,737**	491,873
Effect of foreign exchange rate change	**(37)**	11,953
Cash and cash equivalents at 31st December	**354,631**	273,737
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances are stated in consolidated statement of financial position	**464,078**	408,607
Less: short term deposits with maturity beyond three months but within one year	**(109,447)**	(134,870)
	354,631	273,737

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 10 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, 2012 were approved for issue by the board of directors on 24th June, 2013.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1st January, 2012

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, 2012:

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

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

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

Amendments to HKAS 12 — Deferred Tax: Recovery of Underlying Assets

In December 2010, the HKICPA amended HKAS 12 "Income Taxes", to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale 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 is applicable retrospectively to annual periods beginning on or after 1st January, 2012 with early adoption permitted. The Group has adopted this amendment retrospectively for the financial year ended 31st December, 2012 and the effects of adoption are disclosed as follows.

The Group measures its investment properties using fair value model. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties located in Hong Kong according to the tax consequence on the presumption that they are recovered entirely through sale. The comparative figures for 2011 have been restated to reflect the change in accounting policy as summarised below.

Effects on consolidated income statement and consolidated statement of comprehensive income:

	2012	2011
	HK$'000	HK$'000
Consolidated income statement:		
Decrease in income tax expense	**11,022**	9,955
Increase in net profit attributable to the owners of the Company	**11,022**	9,955
Increase in basic and diluted earnings per share (HK cents)	**2.1**	1.9
Consolidated statement of comprehensive income:		
Increase in total comprehensive income attributable to the owner of the Company	**11,022**	9,955

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

(a) Adoption of new/revised HKFRSs — effective 1st January, 2012 *(Continued)*

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

Effects on the Group's consolidated statement of financial position and the Company's statement of financial position:

	THE GROUP			THE COMPANY		
	As at 31st December, 2012 HK$'000	As at 31st December, 2011 HK$'000	As at 1st January, 2011 HK$'000	**As at 31st December, 2012 HK$'000**	As at 31st December, 2011 HK$'000	As at 1st January, 2011 HK$'000
Decrease in deferred tax liabilities	**50,425**	39,403	29,448	**9,823**	7,100	1,774
Increase in retained profits	**50,425**	39,403	29,448	**9,823**	7,100	1,774

(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 HKAS 1 (Revised)	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[3]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statement[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 10, HKFRS11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS12 and HKAS 27 (2011)	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurements[2]
Annual Improvements	Annual Improvements to HKFRSs 2009–2011 Cycle[2]

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

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

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

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

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

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

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

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. The new standard is not expected to have a material impact on the results and financial position of the Group.

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.

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

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

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.

Annual improvements to HKFRSs — 2009–2011 Cycle

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

HKAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

HKAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

HKAS 32 Financial Instruments: Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes.

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

3. 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.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties, certain available-for-sale financial assets, investments held for trading 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 4.

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

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see 3.3 below) made up to 31st December, each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All 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 3.5.

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.

3.3 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 3.9).

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

3.4 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 3.9).

3.5 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 3.13). 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.

3.6 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.

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

3.7 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.

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 3.29(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 3.8) 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.

3.8 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 3.13). 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 3.9).

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 3.12)*	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.

3.9 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.

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

3.10 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 3.13) 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 3.13) 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.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

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 eight years.

3.11 Other assets

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

3.12 Leases

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

The Group as lessor

Assets leased by the Group under operating 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.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as 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 3.8).

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.

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

3.13 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.

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.

3.14 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.

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

3.14 Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading 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.

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 3.29.

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 3.29.

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.

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

3.15 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.

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.

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

3.16 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 3.12), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

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

3.20 Income tax *(Continued)*

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.

3.21 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.

3.22 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 3.21). 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.

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

3.22 Financial liabilities *(Continued)*

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.

3.23 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 3.26 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.

3.24 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.

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

3.25 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.

3.26 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.

3.27 Equity instruments

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

3.28 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.

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

3.29 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.

3.30 Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

When the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset. The grant is recognised as deferred income which released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

3.31 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;

  (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).

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

3.31 Related parties *(Continued)*

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.

3.32 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.

4. 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.

4.1 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 14, 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.

Estimates of fair value of free taxi licences

As disclosed in note 18, the Government of the People's Republic of China (the "PRC") granted to the Group 20 taxi licences for free in 2012. The fair value of these taxi licences was determined based on value-in-use calculation which requires the use of estimates including expected future cash flows of the taxi licences and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing the fair value of the taxi licences are set out in note 18.

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 17, 18 and 23 respectively.

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

4.1 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.

4.2 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.

5. 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:

	2012 **HK$'000**	2011 HK$'000
Sales of goods	**1,059,386**	983,786
Taxi rental, licence and management fee income	**111,960**	101,743
Property rental income	**45,197**	58,900
Total revenue	**1,216,543**	1,144,429

During the year ended 31st December, 2012, the Group's revenue of HK$610,138,000 (2011: HK$552,815,000) or 50% (2011: 48%) 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.

6. 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 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, other region of 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 and other instruments to generate gain from appreciation in securities and other instruments.
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 2011, the Group disposed of the entire share capital of SMC Cable Limited. SMC Cable Limited and its subsidiary were principally engaged in manufacturing and trading of cables and electric wires which was insignificant to the Group and was hereby 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 certain 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, amount due to related parties, bank borrowings and other liabilities directly attributable to the business activities of operating segments and exclude corporate liabilities and liabilities that are managed on a group basis.

6. 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$'000
Year ended 31st December, 2012							
Reportable segment revenue*	1,001,911	45,197	–	–	111,960	57,475	1,216,543
Reportable segment profit/(loss)	(32,868)	193,339	(96)	129,815	33,884	(4,030)	320,044
Corporate income							8,858
Corporate expenses							(81,228)
Profit before income tax							247,674
							Total HK$'000
As at 31st December, 2012							
Reportable segment assets	585,014	1,477,973	195,881	747,268	401,307	124,016	3,531,459
Property, plant and equipment							73,361
Other assets							42,897
Available-for-sale financial assets							3,300
Other corporate assets							262,555
Total consolidated assets							3,913,572
As at 31st December, 2012							
Reportable segment liabilities	427,374	204,840	68	33,751	90,809	19,854	776,696
Bank borrowings							373,590
Other corporate liabilities							50,772
Total consolidated liabilities							1,201,058

	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, 2012								
Interest income	1,011	16	24	3,836	1,190	18	8,627	14,722
Finance costs	1,943	3,923	–	180	2,939	291	12,772	22,048
Depreciation and amortisation	13,041	5	–	–	18,468	1,967	3,877	37,358
(Impairment losses)/Reversal of impairment losses recognised in profit or loss	(57,398)	(215)	–	–	(143)	57	–	(57,699)
Allowance for other inventories	4,130	–	–	–	–	282	–	4,412
Fair value gain on investment properties	–	96,203	–	–	–	–	–	96,203
Share of profit/(loss) of associates	–	63,644	–	–	–	(1,783)	–	61,861
Share of profit of jointly controlled entities	–	–	–	–	–	3,752	–	3,752
Additions to specified non-current assets#	17,160	318	–	–	15,970	6,008	22,900	62,356
Write-off of property, plant and equipment	–	–	–	–	–	237	–	237
As at 31st December, 2012								
Interests in associates	–	545,750	–	–	–	48,638	–	594,388
Interests in jointly controlled entities	–	–	–	–	–	7,156	–	7,156

6. 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$'000
Year ended 31st December, 2011							
Reportable segment revenue*	932,327	58,900	–	–	101,743	51,459	1,144,429
Reportable segment profit/(loss)	1,642	190,026	(10,273)	(83,705)	33,386	(16,527)	114,549
Corporate income							6,205
Corporate expenses							(54,225)
Profit before income tax							66,529
							Total HK$'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
Property, plant and equipment							60,619
Other assets							38,446
Available-for-sale financial assets							3,300
Other corporate assets							264,202
Total consolidated assets							3,585,348
As at 31st December, 2011							
Reportable segment liabilities (Restated)	400,849	190,483	35	5,676	132,380	32,489	761,912
Bank borrowings							360,180
Other corporate liabilities							46,889
Total consolidated liabilities (Restated)							1,168,981

	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
Finance costs	677	2,223	–	1	3,968	88	10,027	16,984
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

* *This represents sales from external customers and there were no inter-segment sales between different business segments for the years ended 31st December, 2012 and 2011.*

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

6. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong, other regions in the PRC, Asia other than the PRC, Australia, 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, licence fee income and management fee income, is as follows:

	2012 HK$'000	2011 HK$'000
Hong Kong	**21,569**	20,174
Other regions of the PRC	**610,576**	539,103
Asia, other than the PRC	**93,549**	84,828
Australia	**69,347**	59,453
North America	**268,846**	273,939
Europe	**93,823**	109,577
Others	**58,833**	57,355
	1,216,543	1,144,429

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:

	2012 HK$'000	2011 HK$'000
Hong Kong	**395,991**	324,010
Other regions of the PRC	**1,425,426**	1,362,753
Asia, other than the PRC	**61,391**	60,564
North America	**152,171**	138,014
	2,034,979	1,885,341

7. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Interest income on:		
Bank deposits	**7,218**	6,385
Loans to investees	**728**	1,298
Interest element of finance lease as lessor *(note 25)*	**8**	—
Others, including loans receivable	**6,768**	2,184
Total interest income on financial assets not at fair value through profit or loss	**14,722**	9,867
Dividends from listed equity securities	**12,250**	2,243
Other rental income	**630**	1,128
Handling fee income	**5,964**	6,623
Write back of long outstanding payables	**—**	485
Recharge of material costs to a customer	**4,153**	—
Recharge of freight costs to customers	**2,698**	1,930
Product engineering service to customers	**2,784**	839
Sundry income	**8,692**	4,718
	51,893	27,833

8. PROFIT BEFORE INCOME TAX

	2012 HK$'000	2011 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid lease rental on land	**294**	288
Amortisation of other intangible assets#	**1,669**	1,206
Depreciation of property, plant and equipment	**35,395**	31,012
Total amortisation and depreciation	**37,358**	32,506
Auditors' remuneration:		
Current year	**1,624**	1,594
Under provision in prior year	**1**	524
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**871,490**	818,704
Allowance/(Reversal of allowance) for other inventories	**4,412**	(11,590)
Directors' remuneration	**22,138**	17,999
Donations	**12,828**	11,010
Gain on disposal of property, plant and equipment	**(278)**	(2,673)
Impairment loss on financial assets:		
Loans and receivables*	**56,365**	6,542
Available-for-sale financial assets	**1,334**	1,761
Net foreign exchange (gain)/loss	**(3,654)**	478
Operating lease charge on land and buildings	**3,044**	3,356
Outgoings in respect of investment properties	**8,394**	8,554
Net rental income	**(36,803)**	(50,346)
Research and development cost*^	**907**	1,024
Staff costs *(note 11)*	**178,492**	161,695
Write-off of property, plant and equipment	**237**	71
Write down of inventories of properties	**—**	10,171

included in "Administrative expenses" and "Cost of sales and services provided" in the consolidated income statement
* *included in "Other operating expenses" in the consolidated income statement*
^ *excluding depreciation of property, plant and equipment and staff costs*

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest charges on:		
Bank loans and overdrafts	**14,331**	10,905
Other liabilities	**1,495**	1,154
Total interest expense on financial liabilities not at fair value through profit or loss	**15,826**	12,059
Bank charges and arrangement fee	**6,222**	4,925
	22,048	16,984

10. INCOME TAX EXPENSE

	2012	2011
	HK$'000	HK$'000
		(Restated)
Income tax expenses comprise:		
Current tax for the year		
Hong Kong profits tax	**963**	479
Other regions of the PRC — Enterprise income tax ("EIT")	**15,364**	6,916
Others	**7**	1,025
	16,334	8,420
(Over)/Under provision in prior years		
Hong Kong profits tax	**(2,892)**	(235)
Other regions of the PRC — EIT	**1,026**	(3,784)
Others	**—**	3
	(1,866)	(4,016)
Deferred tax *(note 39)*		
PRC land appreciation tax ("LAT")	**9,244**	23,497
Other income tax, restated *(note 2(a))*	**11,922**	31,383
	21,166	54,880
	35,634	59,284

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

EIT arising from the PRC excluding Hong Kong is calculated at 10% to 25% (2011: 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.

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

	2012	2011
	HK$'000	HK$'000
		(Restated)
Profit before income tax	**247,674**	66,529
Tax on profit at the rates applicable to profits in the countries concerned	**50,256**	9,075
Expenses not deductible for tax purpose	**22,305**	52,532
Income not taxable for tax purpose	**(35,725)**	(23,677)
Share of results of associates and jointly controlled entities	**(10,826)**	(9,531)
Effect of change in tax rate	**2,020**	2,886
Utilisation of tax losses previously not recognised	**(8,516)**	(1,748)
Tax losses not recognised	**8,942**	9,851
Over provision in prior years	**(1,866)**	(4,016)
Others	**(200)**	415
	26,390	35,787
PRC LAT	**9,244**	23,497
Income tax expense	**35,634**	59,284

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits	**174,732**	157,225
Retirement fund contributions *(note 44)*	**3,698**	3,963
Termination benefits	**62**	507
	178,492	161,695

12. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Proposed final dividend — HK$0.005 (2011: HK$0.005) per ordinary share	**2,617**	2,617

The final dividend of HK$0.005 (2011: HK$0.005) 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.

Dividend recognised as distributions during the year ended 31st December, 2012 amounted to HK$2,617,000 (2011: Nil) or HK$0.005 (2011: Nil) per ordinary share.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of HK$212,635,000 (2011: profit of HK$8,350,000, as restated) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2011: 523,485,000).

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

14. INVESTMENT PROPERTIES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at the beginning of year	**779,203**	663,099	**45,600**	36,470
Translation adjustment	**52**	15,689	**—**	—
Additions	**318**	1,121	**—**	—
Transfer from property, plant and equipment and prepaid lease rental on land *(note (b))*	**—**	16,421	**—**	—
Increase in fair value	**96,203**	82,873	**16,500**	9,130
Carrying amount at the end of year	**875,776**	779,203	**62,100**	45,600

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
In Hong Kong, held under long-term leases	**338,800**	272,000	**62,100**	45,600
In other regions of the PRC, held under medium-term leases	**408,276**	375,383	**—**	—
In the USA, freehold	**128,700**	131,820	**—**	—
Carrying amount at 31st December	**875,776**	779,203	**62,100**	45,600

Notes:

(a) *Investment properties which are situated in Hong Kong and other regions of the PRC were revalued as at 31st December, 2012 by Knight Frank Petty Limited on the basis of capitalisation of net income. Investment properties situated in the USA were revalued as at 31st December, 2012 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 last year, 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 15) and the land portion was included in prepaid lease rental on land with carrying value of HK$8,262,000 (note 16). 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, 2012, the Group and the Company 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$338,800,000 (2011: HK$272,000,000) and HK$62,100,000 (2011: HK$45,600,000) respectively as at 31st December, 2012.

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

15. 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, 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 14)*	(13,092)	—	—	—	—	(13,092)
At 31st December, 2011 and 1st January, 2012	176,671	70,376	69,824	55,986	109,470	482,327
Translation adjustment	(17)	(11)	54	5	(17)	14
Additions	16,521	14,760	5,221	3,350	13,584	53,436
Disposals	(168)	(36)	—	(185)	(10,598)	(10,987)
Write-off	—	—	(674)	(3,848)	—	(4,522)
At 31st December, 2012	**193,007**	**85,089**	**74,425**	**55,308**	**112,439**	**520,268**
DEPRECIATION						
At 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 14)*	(4,933)	—	—	—	—	(4,933)
At 31st December, 2011 and 1st January, 2012	43,370	24,557	68,920	44,309	49,056	230,212
Translation adjustment	4	20	32	6	55	117
Depreciation provided	4,674	6,887	707	3,493	19,634	35,395
Disposals	(3)	(33)	—	(167)	(9,481)	(9,684)
Write-off	—	—	(665)	(3,620)	—	(4,285)
At 31st December, 2012	**48,045**	**31,431**	**68,994**	**44,021**	**59,264**	**251,755**
NET CARRYING AMOUNT						
At 31st December, 2012	**144,962**	**53,658**	**5,431**	**11,287**	**53,175**	**268,513**
At 31st December, 2011	133,301	45,819	904	11,677	60,414	252,115

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

	THE COMPANY		
	Furniture, fixtures and office equipment HK$'000	**Motor vehicles HK$'000**	**Total HK$'000**
COST			
At 1st January, 2011	3,433	6,465	9,898
Additions	152	251	403
Disposals	—	(577)	(577)
Write-off	—	(150)	(150)
At 31st December, 2011 and 1st January, 2012	3,585	5,989	9,574
Additions	48	—	48
At 31st December, 2012	**3,633**	**5,989**	**9,622**
DEPRECIATION			
At 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 and 1st January, 2012	995	2,588	3,583
Depreciation provided	483	1,497	1,980
At 31st December, 2012	**1,478**	**4,085**	**5,563**
NET CARRYING AMOUNT			
At 31st December, 2012	**2,155**	**1,904**	**4,059**
At 31st December, 2011	2,590	3,401	5,991

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

	THE GROUP	
	2012 HK$'000	2011 HK$'000
In Hong Kong, held under long-term leases	**3,079**	3,278
In other regions of the PRC, held under		
— medium-term leases	**79,653**	82,833
— long leases	**4,294**	4,371
In the USA, freehold	**22,521**	6,092
In Asia (other than the PRC), held under medium-term leases	**45,322**	46,931
	154,869	143,505
Land and buildings included in property, plant and equipment	**144,962**	133,301
Prepaid lease rental on land *(note 16)*	**9,907**	10,204
	154,869	143,505

In securing the bank loans as at year ended 31st December, 2012, 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$72,717,000 (2011: HK$75,631,000) as at 31st December, 2012.

16. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1st January	**10,204**	17,435
Translation adjustment	**(3)**	488
Valuation surplus	**—**	831
Amortisation charged	**(294)**	(288)
Transfer to investment properties *(note 14)*	**—**	(8,262)
Carrying amount at 31st December	**9,907**	10,204
Analysed into:		
Non-current portion included in non-current assets	**9,612**	9,909
Current portion included in current assets	**295**	295
	9,907	10,204

17. GOODWILL

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1st January and 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 of design and trading of semiconductors and electric components within the segment of "Others" and is tested for impairment, together with patent (note 18), 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 5 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 20%–30% (2011: 30%–50%) and growth rate of 17%–21% for the first two forecast years and 5% or less thereafter (2011: 17%–38% for the first three forecast years and 5% or less thereafter). 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 27% (2011: 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.

18. OTHER INTANGIBLE ASSETS

	THE GROUP		
	Taxi licences HK$'000	Patent HK$'000	Total HK$'000
COST			
At 1st January, 2011	257,387	9,649	267,036
Translation adjustment	12,769	—	12,769
At 31st December, 2011 and 1st January, 2012	270,156	9,649	279,805
Translation adjustment	(44)	—	(44)
Additions	2,322	—	2,322
At 31st December, 2012	**272,434**	**9,649**	**282,083**
AMORTISATION AND IMPAIRMENT			
At 1st January, 2011	46,955	402	47,357
Translation adjustment	2,329	—	2,329
Amortisation charged	—	1,206	1,206
At 31st December, 2011 and 1st January, 2012	49,284	1,608	50,892
Translation adjustment	(6)	—	(6)
Amortisation charged	463	1,206	1,669
At 31st December, 2012	**49,741**	**2,814**	**52,555**
NET CARRYING AMOUNT			
At 31st December, 2012	**222,693**	**6,835**	**229,528**
At 31st December, 2011	220,872	8,041	228,913

Taxi Licences

During the year, the PRC government granted to the Group 20 taxi licences for free (the "Free Taxi Licences"), which entitle the licence holders to operate the taxi vehicles during a fixed period of time in a day for a five-year period up to 1st March, 2017. The useful life of the Free Taxi Licences is therefore 5 years. The fair value of the Free Taxi Licences is recognised as intangible assets and deferred government grants in accordance with the accounting policies set out in note 3.30. The fair value of the Free Taxi Licences was determined based on value-in-use calculations.

In the opinion of the directors, the taxi licences except for the Free Taxi Licences ("Other Taxi Licences"), have indefinite useful life as there is no foreseeable limit on the period of time on which Other Taxi Licences are expected to provide cash flows.

The carrying amounts of Other Taxi Licences as at 31st December, 2012 is tested for impairment by the management by estimating its recoverable amount based on 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, 2012 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 Other 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 12.6% (2011: 10%) which reflects specific risks relating to the taxi rental operation. Based on the result of the impairment testing, management determines that there is no impairment in respect of the taxi licences.

Patent

Patent related to the cash-generated unit of design and trading of semiconductors and electric components and is combined with the goodwill and other assets of this cash-generating unit in assessing for impairment (note 17).

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**99,958**	93,289
Less: Impairment	**(90,428)**	(90,428)
	9,530	2,861

Details of the Company's principal subsidiaries as at 31st December, 2012 are set out in note 53. Certain of the Group's interests in subsidiaries are pledged as further detailed in note 45.

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**593,538**	565,389
Goodwill on acquisition of an associate	**850**	850
	594,388	566,239

Details of the Group's principal associates as at 31st December, 2012 are set out in note 54. 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	
	2012	2011
	HK$'000	HK$'000
Results for the year		
Revenue	**344,627**	376,891
Profit after income tax expenses	**226,362**	163,963
Financial positions		
Assets	**2,834,462**	3,766,540
Liabilities	**(868,126)**	(1,867,813)
Net assets	**1,966,336**	1,898,727

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**6,766**	5,733
Goodwill on acquisition	**390**	390
	7,156	6,123

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Details of the Group's jointly controlled entities as at 31st December, 2012 are set out in note 55. 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:

	2012 **HK$'000**	2011 HK$'000
Share of results for the year		
Revenue	**10,200**	11,090
Profit after income tax expenses	**3,752**	5,821

	2012 **HK$'000**	2011 HK$'000
Share of assets and liabilities		
Total non-current assets	**3,622**	853
Total current assets	**5,401**	6,814
Total current liabilities	**(2,257)**	(1,934)
	6,766	5,733

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		**THE COMPANY**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Unlisted investments:				
Club debentures *(note (a))*	**3,300**	3,300	**3,300**	3,300
Equity securities,				
Listed in Hong Kong, at fair value	**151,312**	21,040	**—**	—
Unlisted outside Hong Kong, at cost *(note (b))*	**—**	239	**—**	—
Unlisted investment funds, at fair value	**11,816**	—	**—**	—
	166,428	24,579	**3,300**	3,300

Notes:

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

(b) 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$1,334,000 during the year (2011: HK$1,841,000) in respect of the unlisted equity securities.

The Group does not intend to dispose of these investments in the near future.

23. 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.

24. LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans receivable from:				
Investees *(note (a))*	**19,316**	16,340	**—**	—
Associates *(note (b))*	**47,027**	60,668	**—**	—
Others *(note (c))*	**45,850**	39,620	**30,833**	25,163
	112,193	116,628	**30,833**	25,163
Less: Impairment *(notes (a) and (c))*	**(64,606)**	(24,757)	**(30,833)**	—
	47,587	91,871	**—**	25,163
Analysed into:				
Amount repayable in more than one year included in non-current assets	**47,027**	60,668	**—**	—
Amount repayable within one year included in current assets	**560**	31,203	**—**	25,163
	47,587	91,871	**—**	25,163

Notes:

(a) *The loans to investees are unsecured, interest-bearing at 4.10%–4.75% (2011: 4.75%–8.1%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that the entire loans (2011: a portion of the loan) cannot be recovered and accordingly, accumulated impairment provision of HK$19,316,000 (2011: HK$10,300,000) had been made in respect of these loan balances.*

(b) *The loans to associates are unsecured and interest-free. The amortised cost of the loans at the end of the reporting period are calculated at the present values of the expected settlements from the associates in accordance with the business plan of the respective associates, discounted at the rate of return of similar financial assets. The loans are expected not to be repayable within twelve months from the end of the reporting period 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%–18.16% (2011: 5%–8.5%) per annum and repayable within one year. Having considered the financial position of the borrowers, management assessed that only a portion of the balances can be recovered and accordingly, accumulated impairment provision of HK$45,290,000 (2011: HK$14,457,000) had been made in respect of the balances.*

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

25. FINANCE LEASE RECEIVABLES

During the year, the Group entered into agreements with a customer for replacing the light tubes of the properties managed by the customer by the LED light tubes produced by the Group. In return, the Group is entitled to monthly income for a period of five years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes which have estimated useful life of three years. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customer over the lease period, computed at a market rate of interest. Finance income arising from the finance leases is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

The analysis of the finance lease receivables is as follows:

	THE GROUP			
	Total minimum lease payments receivable		**Present value of minimum lease payments receivable**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable				
Within one year	**1,794**	—	**1,702**	—
In the second year	**1,525**	—	**1,361**	—
In the third to fifth year	**224**	—	**193**	—
	3,543	—	**3,256**	—
Future finance income	**(287)**	—	**—**	—
Finance lease receivables	**3,256**	—	**3,256**	—
Analysed into:				
Amounts receivable in more than one year included in non-current assets	**1,554**	—	**1,554**	—
Amounts receivable within one year included in current assets	**1,702**	—	**1,702**	—
	3,256	—	**3,256**	—

26. INVENTORIES OF PROPERTIES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Properties under development	**195,123**	192,196

As at the end of the reporting period, properties under development amounting to HK$195,123,000 (2011: HK$192,196,000) 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 (2011: HK$179,181,000).

27. OTHER INVENTORIES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Raw materials	**88,065**	73,840
Work-in-progress	**22,612**	10,527
Finished goods	**66,844**	79,629
	177,521	163,996

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**194,179**	197,353	**—**	232
Less: Impairment of trade receivables	**(4,951)**	(3,215)	**—**	—
Trade receivables, net	**189,228**	194,138	**—**	232
Other receivables	**5,164**	17,391	**6**	717
Prepayments and deposits	**51,435**	52,343	**1,549**	3,477
	245,827	263,872	**1,555**	4,426

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	
	2012	2011
	HK$'000	HK$'000
30 days or below	**89,168**	69,976
31–60 days	**63,615**	71,505
61–90 days	**30,662**	40,393
91–180 days	**4,693**	10,442
181–360 days	**938**	1,251
Over 360 days	**152**	571
	189,228	194,138

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

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

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1st January	**3,215**	7,588
Translation adjustment	**(4)**	144
Impairment losses recognised	**2,940**	120
Impairment losses reversed	**(158)**	(1,032)
Amounts written off as uncollectible	**(1,042)**	(3,605)
Carrying amount at 31st December	**4,951**	3,215

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, 2012, the Group's trade receivables of HK$4,951,000 (2011: HK$3,215,000) were impaired and accordingly, full 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	
	2012	2011
	HK$'000	HK$'000
30 days or below	**58**	—
Over 360 days	**4,893**	3,215
	4,951	3,215

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

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
61–90 days	**30,662**	40,393
91–180 days	**4,693**	10,442
181–360 days	**938**	1,251
Over 360 days	**152**	571
	36,445	52,657

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$254,134,000 (2011: HK$204,062,000) which is interest-bearing at prevailing market rate, the balances due from the subsidiaries are interest-free. The balances due to the subsidiaries as at 31st December, 2012 were interest-free except for an amount of HK$20,680,000 which is interest-bearing at prevailing market rate. The balances due to the subsidiaries as at 31st December, 2011 were interest-free. The directors consider that the carrying amounts of the balances approximate their fair values.

30. AMOUNT(S) DUE FROM AN ASSOCIATE/INVESTEES/NON-CONTROLLING INTEREST

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.

Having considered the financial position of the counterparties, management assessed that a portion of the amounts due from investees cannot be recovered and accordingly, accumulated impairment provision of HK$12,756,000 (2011: Nil) had been made in respect of the balances.

31. INVESTMENTS HELD FOR TRADING

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**71,940**	98,718
Listed outside Hong Kong	**457,200**	389,248
Unlisted investment funds, at fair value	**—**	21,068
Debt securities listed outside Hong Kong, at fair value	**38,517**	13,662
	567,657	522,696

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.

The fair values of the debt securities are determined based on quoted market prices available on the Over the Counter Market of relevant stock exchange.

32. CASH AND BANK BALANCES

Cash and bank balances include the following:

	THE GROUP		**THE COMPANY**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank, in hand and deposited with security brokers	**180,394**	161,478	**14,177**	7,505
Short-term bank deposits	**283,684**	247,129	**—**	—
	464,078	408,607	**14,177**	7,505

As at 31st December, 2012, cash balance of the Group denominated in Renminbi ("RMB") amounted to approximately HK$348,341,000 (2011: HK$351,584,000). 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**75,068**	80,301	**—**	—
Temporary receipts	**35,028**	18,402	**30**	251
Deferred income	**1,262**	3,263	**—**	—
Other payables and accruals	**198,885**	226,377	**25,013**	14,567
Deposit received	**29,864**	31,991	**2,554**	2,226
	340,107	360,334	**27,597**	17,044

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(S) DUE TO A RELATED PARTY/DIRECTORS

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	
	2012	2011
	HK$'000	HK$'000
Current Assets		
RMB/USD forward contract *(note (b))*	**252**	—
Current liabilities		
Forward contracts in respect of certain listed shares *(note (a))*	**—**	(2,730)
RMB/USD forward contract *(note (b))*	**—**	(1,971)
	—	(4,701)

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. Under the contracts, the Group was 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 were equity derivatives were not designated as hedging instrument and their fair values were determined by reference to the valuation conducted by a third party financial institution. The above forward contracts matured during 2012.

These financial instruments were subject to financial risk exposure in term of price risk (note 52.4(a)(ii)).

35. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: (Continued)

(b) The notional amount of the outstanding forward foreign exchange contracts as at 31st December, 2012 were USD4,000,000 (2011: USD34,102,000). The contract period is two years (2011: two years). The amount to be settled by the Group on monthly basis throughout the contract period depends on the exchange rate of USD against RMB on each monthly valuation date. The fair values of the forward foreign exchange contracts are determined by reference to the valuation conducted by a third party financial institution.

Derivative financial instruments are subject to financial risk exposures further detailed in note 52.4(a)(i).

36. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings				
Current liabilities	**395,424**	393,302	**140,330**	141,050
Non-current liabilities	**233,260**	219,130	**233,260**	219,130
	628,684	612,432	**373,590**	360,180
Bank borrowings				
Secured *(note 45)*	**323,300**	305,878	**205,000**	218,200
Unsecured	**305,384**	306,554	**168,590**	141,980
	628,684	612,432	**373,590**	360,180

The movement of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at the beginning of year	**612,432**	394,922	**360,180**	300,000
Translation adjustment	**(843)**	—	**—**	—
New bank loans raised	**644,253**	514,991	**101,260**	114,790
Repayment of bank loans	**(627,158)**	(297,481)	**(87,850)**	(54,610)
Carrying amount at the end of year	**628,684**	612,432	**373,590**	360,180

The maturity of bank borrowings is as follows:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Due within one year	**313,757**	308,770	**140,330**	141,050
Due after one year which contain a repayment on demand clause	**81,667**	84,532	**—**	—
	395,424	393,302	**140,330**	141,050
Non-current liabilities				
Due in two to five years	**233,260**	219,130	**233,260**	219,130
	628,684	612,432	**373,590**	360,180

36. BANK BORROWINGS *(Continued)*

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Portion of term loans due for repayment within one year	**313,757**	308,770	**140,330**	141,050
Term loans due for repayment after one year *(note)*				
After one year but within two years	**220,315**	20,793	**217,260**	17,870
After two years but within five years	**26,034**	210,861	**16,000**	201,260
More than five years	**68,578**	72,008	**—**	—
	314,927	303,662	**233,260**	219,130
	628,684	612,432	**373,590**	360,180

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.

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**380,024**	330,769	**348,630**	328,200
US Dollar	**248,660**	231,707	**24,960**	31,980
RMB	**—**	49,956	**—**	—
	628,684	612,432	**373,590**	360,180

Among the Group's bank borrowings as at 31st December, 2012, HK$251,254,000 (2011: HK$288,071,000) were arranged at fixed annual interest rates of 1.21%–2.33% (2011: 0.85%–5.99%). The remaining balance of the Group's bank borrowings of HK$377,430,000 (2011: HK$324,361,000) were arranged at floating rates of 1.71%–4.5% (2011: 2.01%–4.5%) per annum.

Among the Company's bank borrowings as at 31st December, 2012, HK$114,460,000 (2011: HK$123,180,000) were arranged at fixed annual interest rates of 1.28%–2.33% (2011: 0.85%–2.26%). The remaining balance of the Company's bank borrowings of HK$259,130,000 (2011: HK$237,000,000) were arranged at floating rates of 1.98%–2.74% (2011: 2.01%–2.29%) 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, 2012, the Group's and the Company's bank borrowings amounted to HK$162,182,000 (2011: HK$166,418,000) and HK$111,090,000 (2011: HK$91,980,000) 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 (2011: 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$'000	Tax losses HK$'000	Total HK$'000
At 1st January, 2011	887	29,637	—	60,279	(10,314)	—	80,489
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	—	(29,448)	—	—	(29,448)
At 1st January, 2011, as restated	887	29,637	—	30,831	(10,314)	—	51,041
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
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	—	(9,955)	—	—	(9,955)
Charged/(Credited) to profit or loss, as restated	846	4,835	(413)	37,052	9,674	—	51,994
At 31st December, 2011, as restated	1,733	36,044	(413)	73,175	(1,099)	—	109,440
Translation adjustment	—	12	—	53	—	—	65
Effect of change in tax rate charged to profit or loss	—	—	—	2,020	—	—	2,020
Charged/(Credited) to profit or loss	(1,327)	5,252	52	19,117	1,099	(5,047)	19,146
At 31st December, 2012	**406**	**41,308**	**(361)**	**94,365**	**—**	**(5,047)**	**130,671**

39. DEFERRED TAX *(Continued)*

THE GROUP *(Continued)*

Represented by:

	31st December, 2012 HK$'000	31st December, 2011 HK$'000 (Restated)	1st January, 2011 HK$'000 (Restated)
Deferred tax liabilities	**135,718**	112,662	63,914
Deferred tax assets	**(5,047)**	(3,222)	(12,873)
	130,671	109,440	51,041

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:

	2012 HK$'000	2011 HK$'000
2012	**—**	10,756
2013	**10,578**	12,559
2014	**10,967**	11,718
2015	**2,854**	3,240
2016	**18,290**	91,189
2017	**34,770**	2,111
2018	**4,557**	4,372
2019	**4,244**	16,089
2020	**7,044**	7,044
2021	**12,032**	11,847
2022	**2,970**	3,297
2023	**—**	500
2024	**9,805**	9,848
2025	**2,868**	4,892
2026	**1,380**	6,104
2030	**2,181**	2,181
2032	**17,556**	—
Carried forward indefinitely	**57,943**	91,449
	200,039	289,196

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$15,375,000 (2011: HK$12,766,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain PRC subsidiaries as at 31st December, 2012, 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$167,410,000 as at 31st December, 2012 (2011: HK$140,563,000).

39. DEFERRED TAX *(Continued)*

THE COMPANY

	Accelerated tax depreciation HK$'000	Allowance on other receivable HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1st January, 2011	(344)	—	1,774	1,430
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	(1,774)	(1,774)
At 1st January, 2011, as restated	(344)	—	—	(344)
Charged/(Credited) to profit or loss	861	(413)	5,326	5,774
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	(5,326)	(5,326)
Charged/(Credited) to profit or loss, as restated	861	(413)	—	448
At 31st December, 2011, as restated	517	(413)	—	104
Charged/(Credited) to profit or loss	(115)	52	—	(63)
At 31st December, 2012	**402**	**(361)**	**—**	**41**

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

	2012		2011	
	Number of shares '000	**Nominal value**	Number of shares '000	Nominal value
Authorised				
Ordinary share of US$0.00002 each				
Balance at beginning and end of the year	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
Balance at beginning and end of the year	**523,485**	**US$10,470**	523,485	US$10,470
Shown in the financial statements as		**HK$82,000**		HK$82,000

The share capital of the Company comprises only of fully paid ordinary shares with a par value of USD10,470 . 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 3.18.

Asset revaluation reserve

Asset revaluation reserve has been set up in accordance with the accounting policies set out in note 3.7.

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 3.14 and 3.15.

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 year are as follows:

	Dividend reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2011, as previously reported	—	896,524	492,897	1,389,421
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	1,774	1,774
At 1st January, 2011, as restated	—	896,524	494,671	1,391,195
Profit and total comprehensive income for the year	—	—	4,719	4,719
Prior year adjustment in respect of change in accounting policy *(note 2(a))*	—	—	5,326	5,326
Profit and total comprehensive income for the year, as restated	—	—	10,045	10,045
Proposed final dividend *(note 12)*	2,617	—	(2,617)	—
At 31st December, 2011, as restated	2,617	896,524	502,099	1,401,240
At 1st January, 2012, as restated	2,617	896,524	502,099	1,401,240
Loss and total comprehensive income for the year	—	—	(25,847)	(25,847)
Dividend paid	(2,617)	—	—	(2,617)
Proposed final dividend *(note 12)*	2,617	—	(2,617)	—
At 31st December, 2012	**2,617**	**896,524**	**473,635**	**1,372,776**

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 circular to the shareholders of Shell Electric Mfg. (Holdings) Company Limited (now known as China Overseas Grand Oceans Group Limited) on 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).

Movements in the options to subscribe for shares in Appeon for the year ended 31st December, 2012 are as follows:

				Number of share options			
Grantee	**Date of grant**	**Period during which options are exercisable**	**Subscription price per share US$**	**As at 1.1.2012**	**Expired during the year**	**Granted during the year**	**As at 31.12.2012**
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)	—	—
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)	—	—

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 1.1.2012	Number of share options Expired during the year	Granted during the year	As at 31.12.2012
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)	—	—

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

Grantee	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
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 Appeon Scheme was expired on 10th November, 2012 while as at 31st December, 2011 the outstanding share options were 96,425 and its weighted average remaining contractual life was 0.86 years.

42. SHARE OPTION SCHEMES *(Continued)*

Subsidiaries *(Continued)*

(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).

Movements in the options to subscribe for shares in Galactic for the year ended 31st December, 2012 are as follows:

				Number of share options			
Grantee	**Date of grant**	**Period during which options are exercisable**	**Subscription price per share US$**	**As at 1.1.2012**	**Expired during the year**	**Granted during the year**	**As at 31.12.2012**
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)	–	–
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)	–	–

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 1.1.2012	Number of share options Expired during the year	Granted during the year	As at 31.12.2012
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)	—	—

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

Grantee	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
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 Galactic Scheme was expired on 10th November, 2012 while as at 31st December, 2011 the outstanding share options were 5,578,648 and its weighted average remaining contractual life was 0.86 years.

43. DISPOSAL OF SUBSIDIARIES

(a) During 2011, 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 were 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 was recorded in 2011.

	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

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 *(Note)*	(4,916)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	6,597

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

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) During 2011, the Group disposed of its 65% equity interest of 遼寧國力新能源有限公司 which was 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 was recorded in 2011.

	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$3,698,000 (2011: HK$3,963,000) represent contributions paid/payable to these schemes by the Group in the current year.

45. PLEDGE OF ASSETS

At the reporting date, other than the negative pledges disclosed in note 14 and 15, certain assets of the Group are pledged to secure for the general banking and other loan facilities granted to the Group which are analysed as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Investment properties	**128,700**	131,820
Investments held for trading	**62,933**	13,232
Pledged cash deposits	**—**	3,032
	191,633	148,084

As at 31st December, 2012 the entire issued share capital of a subsidiary, Full Revenue Inc, of the Company 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, 2012 and the net asset value of the subsidiary as at 31st December, 2012 was approximately HK$471 million (2011: HK$399 million).

46. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain of its manufacturing plants and office properties under operating leases arrangements. Leases of these properties are negotiated for period ranging from one to three years (2011: 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**817**	2,280	**1,200**	2,016
In the second to fifth year, inclusive	**162**	391	**4,800**	4,800
Over five years	**—**	—	**900**	2,100
	979	2,671	**6,900**	8,916

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging one to twenty-four years (2011: one to twenty-four 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**40,208**	37,811	**11,196**	5,446
In the second to fifth year, inclusive	**86,971**	108,200	**5,077**	—
Over five years	**2,026**	5,457	**—**	—
	129,205	151,468	**16,273**	5,446

47. OTHER COMMITMENTS

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

	2012 HK$'000	2011 HK$'000
Contracted for but not provided in the financial statements:		
Purchase of property, plant and equipment	**2,609**	2,712

48. GUARANTEE

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

	2012 HK$'000	2011 HK$'000
Guarantee given to:		
Bank for credit facilities granted to certain subsidiaries	**482,188**	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:

	2012 HK$'000	2011 HK$'000
Service fee paid to a director	**6,075**	4,575

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% (2011: 1.5%) on the facilities obtained.

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

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**23,913**	18,803
Post-employment benefits	**465**	423
	24,378	19,226

50. EVENTS AFTER THE REPORTING PERIOD

Significant events occurred after the end of the reporting period as of 31st December, 2012 comprise the followings:

(a) On 29th April, 2013, an indirect subsidiary of the Company acquired an additional 47.47% equity interest in MDCL-Frontline (China) Limited ("MDCL"), at a consideration of US$3,900,000 (equivalent to approximately HK$30,420,000) (the "Acquisition"). Through the Acquisition, the Group has increased its equity interest in MDCL from 26.66% to 74.13%. The principal activities of MDCL are the sale of information technology infrastructure, provision of IT consultancy services and investment holding. The Group and other shareholders of MDCL are not optimistic about the future prospect of MDCL and the Group acquires additional interest in MDCL exclusively with a view to disposing of it subsequently. According to the management's assessment, the estimated fair value less costs to sell of MDCL as at the date of the Acquisition is HK$95,000,000, comprising identifiable assets and liabilities of HK$176,000,000 and HK$81,000,000 respectively. Such amount as shared by the interest under the Acquisition of 47.47% is HK$45,000,000. The net assets acquired by the Group are in excess of the consideration given to reflect the expectation that further costs relating to the subsequent disposal of MDCL will come to light.

50. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) On 24th May, 2013, a subsidiary of the Company entered into a conditional sales and purchase agreement (the "S&P") with an independent third party to dispose an investment property located in the PRC (the "Disposal Property") at a consideration of RMB200,000,000 (equivalent to approximately HK$246,660,000). The transaction has not yet been completed on the date of these financial statements. The carrying value of the Disposal Property as at 31st December, 2012 is RMB295,000,000 (equivalent to approximately HK$363,791,000).

(c) On 24th May, 2013, another subsidiary of the Company entered into a conditional service agreement with another independent third party for providing services, comprising investment planning and feasibility analysis, to a property project to be developed on the land of the Disposal Property. The service agreement is conditional on the completion of the S&P. The consideration of the service agreement is RMB200,000,000 (equivalent to approximately HK$246,660,000). The transaction has not yet been completed on the date of these financial statements.

51. 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 bank balances 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, 2012 and 2011 were as follows:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Debt	**628,684**	612,432
Less: cash and bank balances and pledged cash deposits	**(464,078)**	(411,639)
Net debt	**164,606**	200,793
Capital represented by total equity, as restated	**2,712,514**	2,416,367
Gearing ratio, as restated	**6.07%**	8.31%

The Group targets to maintain a gearing ratio of not higher than 50% which is 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.

52. FINANCIAL INSTRUMENTS

52.1 Categories of financial instruments

	THE GROUP		**THE COMPANY**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Financial assets at fair value through profit or loss				
— investments held for trading	**567,657**	522,696	**—**	—
— derivative financial instruments	**252**	—	**—**	—
Loans and receivables#	**713,143**	727,914	**1,693,118**	1,694,460
Available-for-sale financial assets	**166,428**	24,579	**3,300**	3,300
Financial liabilities				
Financial liabilities at fair value through profit or loss				
— derivative financial instruments	**—**	4,701	**—**	—
Financial liabilities at amortised cost^	**971,655**	960,526	**440,402**	390,973

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

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

52. FINANCIAL INSTRUMENTS *(Continued)*

52.2 Financial results by financial instruments

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Fair value gain/(loss) on:		
Financial assets at fair value through profit or loss		
— investments held for trading	**107,936**	(87,385)
Derivative financial instruments	**4,953**	(207)
Increase in fair value of:		
Available-for-sale financial assets	**51,100**	9,881
Interest income or (expenses) on:		
Loans and receivables	**14,722**	9,867
Financial liabilities at amortised cost	**(15,826)**	(12,059)
Dividend income from:		
Financial assets at fair value through profit or loss		
— investments held for trading	**11,864**	2,243
— Available-for-sale financial assets	**386**	—
Impairment loss on:		
Loans and receivables	**(56,365)**	(6,542)
Available-for-sale financial assets	**(1,334)**	(1,761)

52.3 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.

52.4 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 continues 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.

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 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, 2012 and 2011 were as follows:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Net financial assets/(liabilities)		
US Dollars	**(4,995)**	117,676
RMB	**(317)**	19,892

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	
	2012	2011
	HK$'000	HK$'000
	Increase/ (Decrease) in profit for the year and retained profits	Increase/ (Decrease) in profit for the year and retained profits
RMB against HK Dollars		
— strengthen by 5% (2011: 5%)	**(13)**	830
— weaken by 5% (2011: 5%)	**13**	(830)

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 held for trading (see note 31) and the available-for-sale financial assets (note 22).

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.

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 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	
	2012	2011
	HK$'000	HK$'000
	Increase/ (Decrease) in profit for the year and retained profits	Increase/ (Decrease) in profit for the year and retained profits
Hong Kong — Hang Seng Index		
+11% (2011: +26%)	**7,913**	25,526
–11% (2011: –26%)	**(7,913)**	(25,526)
PRC — CSI 300 Index		
+23% (2011: +21%)	**105,156**	81,742
–23% (2011: –21%)	**(105,156)**	(81,742)

If the prices of the equity securities classified as available-for-sale financial assets had been 11% (2011: 26%) higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$16,644,000 (2011: HK$5,470,000).

The Group is also exposed to price risk arising from its investment in unlisted investment funds and listed debt securities. The effect on the Group's profit after tax as a result of a reasonably possible change in the market price of the underlying investments, 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	
	2012	2011
	HK$'000	HK$'000
	Increase/ (Decrease) in profit for the year and retained profits	Increase/ (Decrease) in profit for the year and retained profits
Market price of unlisted investment funds		
+10% (2011: +10%)	**—**	2,017
–10% (2011: –10%)	**—**	(2,017)
Market price of listed debt securities		
+5% (2011: +5%)	**1,926**	683
–5% (2011: –5%)	**(1,926)**	(683)

If the prices of the unlisted investment funds classified as available-for-sale financial assets had been 10% (2011: 10%) higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$1,182,000 (2011: Nil).

Other than the above, the Group was exposed to equity security price risk arising from its investment in derivative financial instruments relating to equity securities in 2011. Details about the derivative financial instruments are set out in note 35. The effect on the Group's profit 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	
	2012	2011
	HK$'000	HK$'000
	Increase/ (Decrease) in profit for the year and retained profits	Increase/ (Decrease) in profit for the year and retained profits
Hong Kong — Hang Seng Index		
*2011: +26%	**—**	2,328
2011: –26%	**—**	(4,656)

* *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.*

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 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, 2012, approximately 60% (2011: 53%) of the bank borrowings bore interest at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at the reporting date 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(Decrease) in profit for the year and in retained profits				
Increase/Decrease in basis points ("bp")				
+50 bp (2011: +50 bp)	**(1,608)**	(1,388)	**(1,082)**	(989)
–10 bp (2011: –10 bp)	**245**	278	**216**	198

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 bank balances (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.

Concentration of credit risk is managed by the customer/counterparty. At 31st December, 2012, 26% (2011: 14%) 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.

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 Financial risk management *(Continued)*

(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, 2012 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$'000	Total carrying amount HK$'000
As at 31st December, 2012						
Interest-bearing bank borrowings *(note (a))*	**400,675**	**219,478**	**16,226**	**—**	**636,379**	**628,684**
Trade payables	**75,068**	**—**	**—**	**—**	**75,068**	**75,068**
Other payables and accruals	**213,948**	**—**	**—**	**—**	**213,948**	**213,948**
Amount due to a related party	**291**	**—**	**—**	**—**	**291**	**291**
Amounts due to directors	**24,500**	**—**	**—**	**—**	**24,500**	**24,500**
Other liabilities	**4,511**	**9,749**	**13,865**	**—**	**28,125**	**24,493**
Loan from non-controlling interest	**—**	**—**	**—**	**4,671**	**4,671**	**4,671**
	718,993	**229,227**	**30,091**	**4,671**	**982,982**	**971,655**
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

52. FINANCIAL INSTRUMENTS *(Continued)*

52.4 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$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 31st December, 2012					
Interest-bearing bank borrowings *(note (a))*	**145,582**	**219,478**	**16,226**	**381,286**	**373,590**
Other payables and accruals	**25,013**	**—**	**—**	**25,013**	**25,013**
Amounts due to directors	**12,500**	**—**	**—**	**12,500**	**12,500**
Amounts due to subsidiaries	**29,299**	**—**	**—**	**29,299**	**29,299**
	212,394	**219,478**	**16,226**	**448,098**	**440,402**
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

Notes:

(a) *For certain 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, 2012	**323,230**	**262,374**	**71,099**	**656,703**	**628,684**
31st December, 2011	317,617	251,649	77,695	646,961	612,432

(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".*

52. FINANCIAL INSTRUMENTS *(Continued)*

52.5 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, 2012 and 2011 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, 2012				
Financial assets				
Available-for-sale financial assets				
— Listed equity securities	**151,312**	**—**	**—**	**151,312**
— Unlisted investment funds	**—**	**11,816**	**—**	**11,816**
Investments held for trading				
— Listed equity securities	**529,140**	**—**	**—**	**529,140**
— Listed debt securities	**38,517**	**—**	**—**	**38,517**
Derivative financial instruments	**—**	**252**	**—**	**252**
As at 31st December, 2011				
Financial assets				
Available-for-sale financial assets				
— Listed equity securities	21,040	—	—	21,040
Investments held for trading				
— Listed equity securities	487,966	—	—	487,966
— Unlisted investment funds	—	21,068	—	21,068
— Listed debt securities	13,662	—	—	13,662
Financial liabilities				
Derivative financial instruments	—	4,701	—	4,701

During the years ended 31st December, 2012 and 2011, 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, 2012 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.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31st December, 2012 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
Atlantic Property Limited	USA	Ordinary	500 shares of US$1 each	—	100%	Property investment
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$145,000,000 (2011: 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
Silvergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	Investment holding

53. 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
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
佛山市順德區國潤投資有限公司	PRC#	Paid up capital	RMB600,000	—	100%	Investment holding
廣東匯泓投資有限公司	PRC#	Paid up capital	RMB11,160,000	—	70%	Investment holding

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 company is incorporated in the PRC as limited liability company.*

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.

54. 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		Principal activities
				Directly	Indirectly	
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.

55. 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		Principal activities
				Directly	Indirectly	
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.*