South China Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 265

Annual Report 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung Peter

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman

Independent Non-executive Directors

Mr. David John Blackett
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Cheng Hong Kei

AUDIT COMMITTEE

Mr. Cheng Hong Kei
(*Chairman of the Committee*)
Mr. David John Blackett
Mrs. Tse Wong Siu Yin Elizabeth
Mr. David Michael Norman

REMUNERATION AND NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Chairman of the Committee*)
Mr. David John Blackett
Mr. Cheng Hong Kei
Mr. David Michael Norman

COMPANY SECRETARY

Ms. To Suen Fan

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of Nanjing Co., Ltd. Daxinggong Sub-branch, Nanjing City, Jiangsu Province

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

265

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013.

FINANCIAL SUMMARY

The Group recorded revenue of HK$200.6 million and profit after tax of HK$21.9 million for the year ended 31 December 2013, representing an increase by 22.2% and 13.9% respectively as compared to 2012. The improvement on financial result was mainly attributable to the better performance by the travel related and other services business segment and the increase in fair value gain on financial assets at fair value through profit or loss for the year ended 31 December 2013.

DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

BUSINESS REVIEW

Travel Related and Other Services

The travel related and other services segment mainly comprises Four Seas Travel. The segment recorded 11.1% increase in revenue to HK$114.5 million and 36.3% increase in operating profit to HK$36.4 million for the year ended 31 December 2013 as compared to the corresponding year in 2012.

For the year ended 31 December 2013, revenue from Four Seas Travel amounted to HK$107.5 million, representing 9.8% increase as compared to the corresponding year in 2012. The reported operating profit increased by 31.8% from HK$27.5 million for the year ended 31 December 2012 to HK$36.3 million for the year ended 31 December 2013. The increase in revenue by HK$9.5 million as compared to 2012 is attributable to the growth in air-ticket wholesale and corporate travel businesses. Year 2013 continued to be a year of economic uncertainties, with fiscal tightening by The Central People's Government of The People's Republic of China, corporate clients reducing their travel costs and remaining cautious in their business travel spendings, and political events unfolding in Thailand, one of the most popular tourist destinations for Hong Kong people. All of these have impacted the travel industry negatively. Despite the impact, Four Seas Travel's business continued to grow steadily in 2013.

To cope with our strategic move, Four Seas Travel has extended our reach to the Mainland China since 2007 and has a total of six branches in Shenzhen, Guangzhou, Chongqing, Nanjing, Shanghai and Beijing. During the year, the Mainland China market has recorded a negative growth in revenue as strong fiscal tightening policies by The Central People's Government of The People's Republic of China have come into effect. Revenue from the Mainland China market, which accounted for approximately 21.4% (2012: 24.5%) of the total revenue of Four Seas Travel, decreased by 4.1% to HK$23.0 million for the year ended 31 December 2013 as compared to the corresponding year in 2012. Measures have been taken place to minimise the adverse effects on our overall business and more measures have been put in place to tighten our credit policies in order to lower our risk exposure. All these place Four Seas Travel in a better position to monitor potential risks in the Mainland China. Although Four Seas Travel was facing the pressure of changes in government economic policies and rampant cost inflation in the Mainland China, management is confident that there will be a gradual improvement in the operating results in the Mainland China market.

Trading and Manufacturing of Jewellery

The trading and manufacturing of jewellery segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store and counters of large department stores in Nanjing. During the year ended 31 December 2013, the demand for gold products was boosted by the slide of the international gold price and the revenue recorded a significant growth despite that the growth was diluted by the decrease in gross margin. The segment recorded 40.9% increase in revenue to HK$86.0 million (2012: HK$61.1 million) and profit from operations was HK$2.1 million (2012: HK$3.3 million). The drop in profit from operations was largely attributable to the decrease in gross margin ratio which outweighed the contribution from revenue growth. The gross margin ratio decreased from 21.4% for the year ended 31 December 2012 to 14.1% for the year ended 31 December 2013. As a result, the trading and manufacturing of jewellery segment recorded a slight drop in business performance.

As published in the Company's announcements dated 20 June 2013, 26 June 2013, 24 July 2013, 30 July 2013, 20 August 2013, 2 September 2013 and 4 December 2013, certain legal proceedings in relation to Nanjing South China Skytech Technology Co., Ltd., and the joint venture partner and certain members of the former management team of the same are in progress. The Group will make further announcement to update the shareholders of any major development of such legal proceedings as and when appropriate.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a current ratio of 1.76 and a gearing ratio of 1.5% (2012: 1.59 and 14.3% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2013, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no debt securities or other capital instruments as at 31 December 2013 and up to the date of this Annual Report. As compared to the 2012 Annual Report, there was no material change in the Group's capital structure. Details of the Group's debt maturity profile are set out in note 38 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2013, the Group did not have any material acquisition and disposal of subsidiaries and associates.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2013, a significant portion of the borrowings was for normal trading purposes with the level of borrowings depending on the level of trading and investing activities. Certain of the inventories, trade receivables and bank deposits of the Group are pledged to secure the banking facilities.

Details of the Group's contingent liabilities and pledges of assets are set out in notes 31 and 32 to the financial statements.

The Group had capital commitments contracted, but not provided for in relation to acquisition of land in Mainland China of approximately HK$3,619,000 (2012: HK$3,488,000) at the end of the reporting period. Details of the Group’s capital commitments are set out in note 34 to the financial statements.

INVESTMENTS

The Group held some remaining shares and warrants of South China (China) Limited (“SCC”) after distribution in specie of SCC shares to the Company’s shareholders in June 2009. In July 2009, the Group exercised the SCC warrants held which were then converted to SCC shares. In August 2009, SCC paid a special dividend for its entire interest in South China Land Limited (“SCL”) to its shareholders by means of distribution in specie. During the year, shares of SCL recorded a fair value gain of HK$11.2 million on financial assets at fair value through profit or loss in the Consolidated Statement of Profit or Loss and shares of SCC recorded a fair value gain of HK$3.8 million on available-for-sales financial assets in the Consolidated Statement of Comprehensive Income.

EMPLOYEES

As at 31 December 2013, the total number of employees of the Group was 352 (2012: 381). Employees’ cost (including directors’ emoluments) amounted to approximately HK$62.9 million for the year (2012: approximately HK$60.1 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options under the share option schemes adopted by the Company. Details of the share option schemes are set out in note 29 to the financial statement.

PROSPECTS

Travel Related and Other Services

Four Seas Travel will continue to allocate more resources to promotion and marketing to expand and diversify its product types such as MICE (Meetings, Incentives, Conferences and Exhibitions), hotel booking and cruise products in order to widen our client base in both Hong Kong and the Mainland China markets. In addition, we will continue to focus on internal training and to develop our online and mobile booking platform so as to provide high-quality services with diversified distribution channels to our customers and to capture potential market growth. We will leverage on the leading position in Hong Kong air-ticket wholesale market for future growth of the Group. We will continue to expand our market share to maintain the position as one of the top air-ticket distributors in Hong Kong. Meanwhile, Four Seas Travel will continue to leverage on its competitive advantage and success in Hong Kong to the Mainland China market. The Group’s ultimate strategy is to become one of the major players in the Mainland China market.

Trading and Manufacturing of Jewellery

We are continuously looking for high potential points of sale in Nanjing and the surrounding cities. In addition, we will strengthen and consolidate the scale of sales and profitability of the existing points of sale in the coming years in order to achieve continuity in revenue growth and profit improvement.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

Ng Hung Sang
Chairman

Hong Kong, 18 March 2014

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 64, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of South China Financial Holdings Limited ("SCF"), South China (China) Limited ("SCC") and South China Land Limited ("SCL"). He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 24 June 1992. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, and Mr. Ng Yuk Fung Peter, an Executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 70, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice-chairman of SCC and SCF and an executive director of SCL. He holds a Master degree in law from Cambridge University in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 24 June 1992. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 60, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, a vice-chairman and chief executive officer of SCC, and an executive director and a vice-chairman of SCF and an executive director of SCL. Ms. Cheung holds a Master degree in business administration from University of Illinois in the United States of America. She is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 24 June 1992. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Fung Peter, aged 33, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of SCC and SCL. Mr. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of the Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. He is the son of Mr. Ng Hung Sang, the Chairman of the Company, and the brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company. Mr. Ng was appointed as an Executive Director of the Company on 15 September 2003.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 35, is a Non-executive Director of the Company. She is also a non-executive Director of SCC and SCL, and the chief executive officer of South China Media Limited. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Tianjin Municipal Committee of Chinese People's Political Consultative Conference. She is the daughter of Mr. Ng Hung Sang, the Chairman of the Company, and the sister of Mr. Ng Yuk Fung Peter, an Executive Director of the Company. Ms. Ng was appointed as an Executive Director of the Company on 15 September 2003 and re-designated as a Non-executive Director of the Company with effect from 1 July 2005.

Mr. David Michael Norman, aged 57, is a Non-executive Director and a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. Mr. Norman is also an independent non-executive director of Guoco Group Limited which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is a solicitor. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. He was appointed as an Independent Non-executive Director of the Company on 16 January 1995 and re-designated as Non-executive Director of the Company on 21 September 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David John Blackett, aged 63, is an Independent Non-executive Director, a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He was the chairman for the Asia Pacific region of the CIT Group Inc. of the United States of America. He studied commerce at The University of Edinburgh and also become a member of the Institute of Chartered Accountants in Scotland. He has extensive experience in investment banking and finance, having previously been the managing director of NM Rothschild & Sons (Hong Kong) Limited. He was also a director of Shanghai Chlor-Alkali Chemical Company Limited which is listed on Shanghai Stock Exchange in The People's Republic of China and retired as a director on 12 December 2006. In 2008, he was appointed as a non-executive director of R.E.A. Holdings plc, a company listed in the UK, principally involved in oil palm plantations in Indonesia. Mr. Blackett was appointed as an Independent Non-executive Director of the Company on 25 May 2000.

Mrs. Tse Wong Siu Yin Elizabeth, aged 56, is an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committee of the Company. She is also an independent non-executive director of SCC and SCF. Mrs. Tse is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of the Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and she received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree of Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 21 September 2004.

Mr. Cheng Hong Kei, aged 59, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of Great China Properties Holdings Limited (formerly known as Waytung Global Group Limited and Beauforte Investors Corporation Limited) and Jayden Resources Inc. and also a co-founding director of Cheng & Cheng Limited, Certified Public Accountants, in Hong Kong. He studied accountancy at Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and was admitted as a Certified Public Accountant in Hong Kong in 1991. Mr. Cheng has over 30 years of experience in the accounting field. Prior to establishing of his own practice, he worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. Mr. Cheng is a fellow member of each of the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants (Practicing). He was appointed as an Independent Non-executive Director of the Company on 28 September 2004.

Directors' Report

The directors of the Company (the "Directors") submit their report and the audited consolidated financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

During the year, the Company was involved in investment holding activity while its subsidiaries were principally engaged in sale of air-tickets and other travel related and other services, trading and manufacturing of jewellery products, and the Group's management services and other investment holding.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 104 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 105 of this Annual Report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 106 of this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

There was no change in either authorized capital or issued capital of the Company during the year. Details of share capital and share options of the Company during the year are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any such shares.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$98,284,000.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Richard Howard Gorges
Cheung Choi Ngor
Ng Yuk Fung Peter

Non-executive Directors:

Ng Yuk Mui Jessica
David Michael Norman

Independent Non-executive Directors:

David John Blackett
Tse Wong Siu Yin Elizabeth
Cheng Hong Kei

In accordance with Article 116 of the articles of association of the Company, Ms. Cheung Choi Ngor, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange from each of the Independent Non-executive Directors, namely Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei for the year ended 31 December 2013 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 and 8 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(i) Long positions in shares

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	71,652,200	1,344,181,812	73.72%
	Interest of controlled corporations	1,272,529,612 (*Note a*)		
Richard Howard Gorges ("Mr. Gorges")	Interest of controlled corporations	487,949,760 (*Note a*)	487,949,760	26.76%
Cheung Choi Ngor ("Ms. Cheung")	Interest of controlled corporations	487,949,760 (*Note a*)	487,949,760	26.76%

(ii) Long positions in underlying shares

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Mr. Gorges	Beneficial owner	18,000,000 *(Note b)*	0.99%
Ms. Cheung	Beneficial owner	18,000,000 *(Note b)*	0.99%
Ng Yuk Fung Peter ("Mr. Peter Ng")	Beneficial owner	18,000,000 *(Note b)*	0.99%
Ng Yuk Mui Jessica ("Ms. Jessica Ng")	Beneficial owner	18,000,000 *(Note b)*	0.99%

Notes:

(a) The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations included 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Earntrade Investments Limited ("Earntrade"). Parkfield, Fung Shing and Ronastar were all wholly owned by Mr. Ng. Bannock was a wholly-owned subsidiary of Earntrade which was owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom were considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Mr. Gorges and Ms. Cheung were deemed to have an interest in 487,949,760 shares held by Bannock and Earntrade.

(b) Please refer to details set out in note 29 to the financial statements under the section headed "Share Option Schemes".

Save as disclosed above, as at 31 December 2013, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Directors, employees of the Group and participants as described under the relevant share option schemes of the Company are entitled to participate in the share option schemes of the Company. Particulars of the share option schemes of the Company together with the details of the share options granted were set out in note 29 to the financial statements. Details of the share options granted by the Company to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this Annual Report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

PENSION SCHEMES

Details of the pension schemes of the Group are set out in note 2.4 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which a director of the Company has beneficial interest are set out in note 35 to the financial statements and the sections "Continuing Connected Transactions" of this Annual Report.

Save as disclosed above, no contract of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, the following corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

Long positions in shares

Name of Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 (*Note*)	26.76%
Bannock	Beneficial owner	237,303,360 (*Note*)	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%

Note: Bannock was a wholly-owned subsidiary of Earntrade. The 487,949,760 shares in the Company held by Earntrade included 237,303,360 shares held by Bannock directly.

Save as disclosed above, as at 31 December 2013, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng is an Executive Director and the controlling shareholder of South China (China) Limited ("SCC") and South China Land Limited ("SCL").

Mr. Peter Ng, Ms. Cheung and Mr. Gorges are the executive directors of both SCC and SCL while Ms. Jessica Ng is a non-executive director of SCC and SCL. Ms. Cheung and Mr. Gorges also hold certain corporate interests in SCC and SCL jointly with Mr. Ng.

Certain subsidiaries of SCC and SCL are engaged in property investment and development business which may compete with the businesses of the Group.

Mr. Ng and Mr. Peter Ng are the directors and the shareholders of Anwell Profits Limited ("Anwell") which engages in the information technology business.

Accordingly, each of Mr. Ng, Mr. Peter Ng, Ms. Jessica Ng, Ms. Cheung and Mr. Gorges is regarded as interested in such competing business of the Group.

The Directors are of the view that the Group can carry on its property investment and development business independently of and at arm's length from the business of SCC and SCL as there is no direct competition amongst the three listed groups. For information technology business, the Group has its own target markets which are different from Anwell.

Save as disclosed above, as at 31 December 2013, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules as at the date of this Annual Report.

CORPORATE GOVERNANCE CODE

Details of the compliance by the Company with the Corporate Governance Code contained in Appendix 14 of the Listing Rules are set out on pages 18 to 23 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code are set out on page 19 of this Annual Report.

CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 35 to the financial statements.

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

(1) The signing of a tenancy agreement dated 12 December 2011 between First City Limited, an indirect wholly-owned subsidiary of SCC, as the landlord, and Hong Kong Four Seas Tours Limited ("HK Four Seas"), an indirect wholly-owned subsidiary of the Company, as the tenant, for the premises at 1/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong at a monthly rental of HK$110,120 for a period from 1 January 2012 to 31 December 2013.

(2) The signing of a tenancy agreement dated 12 December 2011 between Glorious Dragon Investments Limited, an indirect wholly-owned subsidiary of SCC, as the landlord, and HK Four Seas as the tenant, for the premises at 2/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong at a monthly rental of HK$101,460 for a period from 1 January 2012 to 31 December 2013.

As at 31 December 2013, Mr. Ng, the Chairman, the Executive Director and a substantial shareholder of SCC and the Company, was interested in 63.01% in SCC and 73.72% in the Company. Hence Mr. Ng was considered a connected person of SCC and the Company.

One of the principal activities of the Group is engaged in sale of air-tickets and the provision of other travel related services and the above rental agreements allowed HK Four Seas and Four Seas Tours Limited to continue its business operation in the aforesaid premises.

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

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

(2) on normal commercial terms; and

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

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Committee), Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and a Non-executive Director, namely Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, the revenue of the Group's five largest customers is accounted for 5% of the total revenue and the revenue of the largest customer included therein is accounted for 2% of the total revenue. Purchases of the Group's five largest suppliers accounted for 71% of the total purchases and purchases from the largest supplier included therein is accounted for 24% of the total purchases.

None of the Directors or any of their associates or any shareholders (which to the knowledge of the Directors, owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers and suppliers.

AUDITORS

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 18 March 2014

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 4 June 2013 since he had other business engagements, which deviated from code provision E.1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2013, the Board consisted of 9 Directors, including the Chairman, Mr. Ng Hung Sang, who is an Executive Director, three additional Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Not less than one-third of the Board is Independent Non-executive Directors. Directors' biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on pages 7 to 8 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the Independent Non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's articles of association.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

Daily operation and management of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

The roles of Chairman and chief executive officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Mr. Richard Howard Gorges and Ms. Cheung Choi Ngor had been identified as the chief executive officers of the Company who are jointly responsible for the daily operations of the Company. Key and important decisions are fully discussed at the board meetings.

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

The Board held four meetings in 2013:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	1/4
Richard Howard Gorges	4/4
Cheung Choi Ngor	4/4
Ng Yuk Fung Peter	2/4
Non-executive Directors	
Ng Yuk Mui Jessica	2/4
David Michael Norman	4/4
Independent Non-executive Directors	
David John Blackett	4/4
Tse Wong Siu Yin Elizabeth	4/4
Cheng Hong Kei	3/4

Notices of at least fourteen days are given to Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

All Directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Mode Code regarding securities transactions by Directors throughout the year ended 31 December 2013.

INTERNAL CONTROL

Recognizing that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, a team, comprising qualified accountants, has been organized to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans periodically and ensures the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee at a regular interval. The scopes and timing of audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

The IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to the Audit Committee at a regular interval. During the year, the internal control of purchase and payment cycle of travel related services and sales and receivables collection cycle of other services included in travel related and other services segment, inventory control and costing cycle of trading and manufacturing of jewellery of the Group were reviewed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Directors acknowledge their responsibility for preparing the financial statements of the Group and ensure that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 24 and 25 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the Auditors of the Company received approximately HK$820,000 for audit services and HK$6,000 for non-audit services provided to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Apart from updates on regulatory changes and governance developments provided by the Company, Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training Directors have undertaken.

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

	Type of trainings	
	Attending Seminars	Reading Materials and Updates
Executive Directors		
Ng Hung Sang		✓
Richard Howard Gorges		✓
Cheung Choi Ngor		✓
Ng Yuk Fung Peter		✓
Non-executive Directors		
Ng Yuk Mui Jessica		✓
David Michael Norman		✓
Independent Non-executive Directors		
David John Blackett		✓
Tse Wong Siu Yin Elizabeth	✓	✓
Cheng Hong Kei		✓

AUDIT COMMITTEE

The Audit Committee consists of all the Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Committee), Mr. David John Blackett and Mrs. Tse Wong Siu Yin Elizabeth and one Non-executive Director, Mr. David Michael Norman.

The principal duties of the Audit Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group. The Audit Committee has also been delegated by the Board to be responsible for performing the corporate governance duties under the CG Code.

The Audit Committee held three meetings in 2013 in which representatives of the management were present to review the interim and final results, the interim report and annual report and other financial, internal control and corporate governance matters. The Group's Auditors were present in two of the meetings.

	Attendance
Cheng Hong Kei	3/3
David John Blackett	1/3
Tse Wong Siu Yin Elizabeth	3/3
David Michael Norman	2/3

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

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both the remuneration and the nomination functions under the CG Code. It consists of all the Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the Committee), Mr. David John Blackett and Mr. Cheng Hong Kei and one Non-executive Director, Mr. David Michael Norman.

The principal duties of the Remuneration and Nomination Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include review on the structure and composition of the Board, identification of suitably qualified Board candidates, and review of the remuneration of Directors and senior management and make recommendations to the Board on the remuneration policy and structure.

The Remuneration and Nomination Committee met once in 2013 and the attendance record is set out below:

	Attendance
Tse Wong Siu Yin Elizabeth	1/1
David John Blackett	1/1
Cheng Hong Kei	1/1
David Michael Norman	1/1

The Remuneration and Nomination Committee reviewed the policies for the remuneration of Executive Directors, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual Executive Director with reference to the Company's performance and profitability, as well as industry practice. Directors' fees for all Directors are subject to shareholders' approval at general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

The Remuneration and Nomination Committee reviewed the structure, size and composition of the Board, adopted a formal written procedure and policy for the appointment of new directors, assessed the independence of Independent Non-executive Directors and made recommendations to the Board on the appointment and re-appointment of Directors.

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company ("AGM") allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the Company's website on the day of the AGM.

Extraordinary general meetings of the Company shall be convened on the requisition of any one member of the Company which is a recognized clearing house or any two or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The attendance record of the Directors at the AGM held on 4 June 2013 is set out below:

Executive Directors	
Ng Hung Sang (*Chairman*)	✗
Richard Howard Gorges	✓
Cheung Choi Ngor	✓
Ng Yuk Fung Peter	✗
Non-executive Directors	
Ng Yuk Mui Jessica	✗
David Michael Norman	✗
Independent Non-executive Directors	
David John Blackett	✗
Tse Wong Siu Yin Elizabeth	✓
Cheng Hong Kei	✓

Independent Auditors' Report

To the shareholders of South China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

To the shareholders of South China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
18 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**200,556**	164,169
Cost of sales		**(77,110)**	(50,267)
Gross profit		**123,446**	113,902
Other income	5	**6,462**	3,894
Fair value gain on investment properties	6	**300**	600
Fair value gain on financial assets at fair value through profit or loss	6	**11,323**	6,191
Selling and distribution expenses		**(7,509)**	(7,332)
Administrative expenses		**(100,055)**	(85,766)
Other operating expenses		**(1,444)**	(387)
PROFIT FROM OPERATIONS		**32,523**	31,102
Finance costs	7	**(5,117)**	(7,095)
PROFIT BEFORE TAX	6	**27,406**	24,007
Income tax expense	10	**(5,533)**	(4,811)
PROFIT FOR THE YEAR		**21,873**	19,196
Attributable to:			
Owners of the Company	11	**21,812**	19,154
Non-controlling interests		**61**	42
		21,873	19,196
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic and diluted		**HK1.2 cents**	HK1.1 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR	**21,873**	19,196
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale financial assets	**3,847**	15,391
Exchange differences on translation of foreign operations	**2,577**	(1,435)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**6,424**	13,956
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**28,297**	33,152
Attributable to:		
Owners of the Company	**27,470**	33,145
Non-controlling interests	**827**	7
	28,297	33,152

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,015**	8,031
Investment properties	14	**38,900**	38,600
Available-for-sale financial assets	16	**48,566**	44,710
Other non-current assets	17	**29,150**	28,331
Goodwill	18	**2,994**	2,994
Total non-current assets		**127,625**	122,666
CURRENT ASSETS			
Inventories	19	**31,970**	30,038
Trade and other receivables	20	**231,415**	220,863
Financial assets at fair value through profit or loss	21	**40,916**	30,098
Advances to non-controlling shareholders of subsidiaries	25	**1,878**	1,775
Tax recoverable		**146**	—
Pledged bank deposits	22	**3,250**	15,214
Cash and bank balances	22	**34,229**	31,854
Total current assets		**343,804**	329,842
CURRENT LIABILITIES			
Trade and other payables	23	**155,572**	143,320
Interest-bearing bank and other borrowings	24	**37,419**	62,750
Advances from non-controlling shareholders of subsidiaries	25	**—**	25
Tax payable		**1,997**	1,166
Total current liabilities		**194,988**	207,261
NET CURRENT ASSETS		**148,816**	122,581
TOTAL ASSETS LESS CURRENT LIABILITIES		**276,441**	245,247

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Advances from shareholders	26	**62,438**	59,541
NET ASSETS		**214,003**	185,706
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**45,584**	45,584
Reserves	30(a)	**146,905**	119,435
		192,489	165,019
Non-controlling interests		**21,514**	20,687
TOTAL EQUITY		**214,003**	185,706

Ng Hung Sang
Chairman

Richard Howard Gorges
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2013

		Attributable to owners of the Company									
	Note	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		45,584	54,416	4,069	14,811	861	10,157	1,976	131,874	20,680	152,554
Profit for the year		—	—	—	—	—	—	19,154	19,154	42	19,196
Other comprehensive income/(loss) for the year:											
Changes in fair value of available-for-sale financial assets	16	—	—	—	15,391	—	—	—	15,391	—	15,391
Exchange differences on translation of foreign operations		—	—	—	—	—	(1,400)	—	(1,400)	(35)	(1,435)
Total comprehensive income/(loss) for the year		—	—	—	15,391	—	(1,400)	19,154	33,145	7	33,152
At 31 December 2012		45,584	54,416*	4,069*	30,202*	861*	8,757*	21,130*	165,019	20,687	185,706
Balance at 1 January 2013		**45,584**	**54,416**	**4,069**	**30,202**	**861**	**8,757**	**21,130**	**165,019**	**20,687**	**185,706**
Profit for the year		—	—	—	—	—	—	**21,812**	**21,812**	**61**	**21,873**
Other comprehensive income for the year:											
Changes in fair value of available-for-sale financial assets	16	—	—	—	**3,847**	—	—	—	**3,847**	—	**3,847**
Exchange differences on translation of foreign operations		—	—	—	—	—	**1,811**	—	**1,811**	**766**	**2,577**
Total comprehensive income for the year		—	—	—	**3,847**	—	**1,811**	**21,812**	**27,470**	**827**	**28,297**
At 31 December 2013		**45,584**	**54,416***	**4,069***	**34,049***	**861***	**10,568***	**42,942***	**192,489**	**21,514**	**214,003**

Note: In accordance with regulations in the Mainland China, each of the Group's subsidiaries in the Mainland China is required to transfer part of its profit after tax to its statutory reserve, until the reserve reaches 50% of the registered capital. The PRC statutory reserve is non-distributable. The amount of transfer is subject to the approval of the boards of directors of these companies in accordance with their articles of association.

* These reserve accounts comprise the consolidated reserves of HK$146,905,000 (2012: HK$119,435,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**27,406**	24,007
Adjustments for:			
Finance costs	7	**5,117**	7,095
Bank interest income	5	**(106)**	(185)
Write-off of trade receivables	6	**94**	183
Depreciation	6	**2,773**	2,804
Fair value gain on investment properties	6	**(300)**	(600)
Fair value gain on financial assets at fair value through profit or loss	6	**(11,323)**	(6,191)
Loss on disposal of items of property, plant and equipment, net	6	**21**	204
Write-back of trade and other payables	5	**(51)**	(49)
		23,631	27,268
(Increase)/decrease in inventories		**(787)**	639
(Increase)/decrease in trade and other receivables		**(9,648)**	47,796
Increase/(decrease) in trade and other payables		**11,600**	(65,259)
Cash generated from operations		**24,796**	10,444
Hong Kong profits tax paid		**(4,338)**	(3,936)
Mainland China tax paid		**(511)**	(786)
Net cash flows from operating activities		**19,947**	5,722
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(2,800)**	(2,460)
Purchases of available-for-sale financial assets		**(9)**	—
Interest received		**106**	185
Proceeds from disposal of financial assets at fair value through profit or loss		**505**	—
Proceeds from disposal of items of property, plant and equipment		**125**	—
Net cash flows used in investing activities		**(2,073)**	(2,275)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**441,171**	3,198
Repayment of bank loans		**(468,113)**	(28,191)
Advance to non-controlling shareholders of subsidiaries		**(60)**	—
Interest paid		**(2,220)**	(4,336)
Net cash flows used in financing activities		**(29,222)**	(29,329)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,348)**	(25,882)
Cash and cash equivalents at beginning of year		**47,068**	72,984
Effect of foreign exchange rate changes, net		**768**	(34)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**36,488**	47,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	22	**34,229**	31,854
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	22	**3,250**	15,214
Bank overdrafts	24	**(991)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		**36,488**	47,068

Statement of Financial Position

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**148,212**	148,212
CURRENT ASSET			
Bank balance	22	**5**	2
CURRENT LIABILITY			
Other payable	23	**61**	61
NET CURRENT LIABILITY		**(56)**	(59)
TOTAL ASSETS LESS CURRENT LIABILITY		**148,156**	148,153
NON-CURRENT LIABILITIES			
Due to subsidiaries	15	**219**	138
NET ASSETS		**147,937**	148,015
EQUITY			
Issued capital	28	**45,584**	45,584
Reserves	30(b)	**102,353**	102,431
TOTAL EQUITY		**147,937**	148,015

Ng Hung Sang
Chairman

Richard Howard Gorges
Director

Notes to the Financial Statements

At 31 December 2013

1. CORPORATE INFORMATION

South China Holdings Limited is incorporated in the Cayman Islands as an exempted limited company. The registered office address of the Company is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company was involved in investment holding activity while its subsidiaries were principally engaged in sale of air-tickets and other travel related and other services, trading and manufacturing of jewellery products, and the Group's management services and other investment holding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

(a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 15 to the financial statements.

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

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 14 and 37 to the financial statements.

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

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting* and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in February 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in February 2014[2]

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

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

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

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

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

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

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

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and leasehold improvements	10% to 25%, not exceeding the lease terms
Machinery and equipment	10% to 25%
Motor vehicles	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial asset revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted available-for-sale financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, advances from non-controlling shareholders of subsidiaries and advances from shareholders.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities *(continued)*

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group has established a provision for severance payments in accordance with the relevant regulations in the Mainland China. Compensation payables to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) commission income, upon the sale of goods;

(c) service income, when the relevant services have been rendered;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an option pricing model, further details of which are given in note 29 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for its employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Pension scheme (continued)

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

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2013 was HK$38,900,000 (2012: HK$38,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2013, no impairment losses have been recognised for available-for-sale financial assets (2012: Nil).

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

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

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no deferred tax asset in respect of tax losses at 31 December 2013 (2012: Nil). The amount of unrecognised tax losses at 31 December 2013 was HK$187,047,000 (2012: HK$189,362,000) (note 27).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the travel related and other services segment involves the sale of air-tickets, other travel related and other services;

(b) the trading and manufacturing of jewellery segment involves the trading and manufacturing of jewellery products; and

(c) the investment holding segment comprises the Group's management services and other investment holding.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of profit before tax. The profit before tax is measured consistently with the Group's profit before tax except that finance costs are excluded from such measurement.

Segment liabilities exclude tax payable and interest-bearing bank and other borrowings as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013

Group

	Travel related and other services HK$'000	Trading and manufacturing of jewellery HK$'000	Investment holding HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	114,519	86,037	—	200,556
Segment results	36,415	2,058	(5,950)	32,523
Reconciliation:				
Finance costs				(5,117)
Profit before tax				27,406
Segment assets and total assets	255,150	36,132	180,147	471,429
Segment liabilities	144,610	7,890	65,510	218,010
Reconciliation:				
Corporate and other unallocated liabilities				39,416
Total liabilities				257,426
Other segment information:				
Fair value gain on investment properties	—	—	(300)	(300)
Fair value gain on financial assets at fair value through profit or loss	—	—	(11,323)	(11,323)
Write-off of trade receivables	94	—	—	94
Loss on disposal of items of property, plant and equipment, net	21	—	—	21
Depreciation	2,710	62	1	2,773
Capital expenditure*	2,759	35	6	2,800

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2012

Group

	Travel related and other services HK$'000	Trading and manufacturing of jewellery HK$'000	Investment holding HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	103,096	61,073	—	164,169
Segment results	26,721	3,255	1,126	31,102
Reconciliation:				
Finance costs				(7,095)
Profit before tax				24,007
Segment assets and total assets	251,475	34,823	166,210	452,508
Segment liabilities	135,694	6,233	60,959	202,886
Reconciliation:				
Corporate and other unallocated liabilities				63,916
Total liabilities				266,802
Other segment information:				
Fair value gain on investment properties	—	—	(600)	(600)
Fair value gain on financial assets at fair value through profit or loss	—	—	(6,191)	(6,191)
Write-off of trade receivables	183	—	—	183
Loss on disposal of items of property, plant and equipment, net	200	4	—	204
Depreciation	2,685	119	—	2,804
Capital expenditure*	2,443	17	—	2,460

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical segments

(a) *Revenue from external customers*

	2013 HK$'000	2012 HK$'000
Hong Kong	**84,437**	73,909
Mainland China	**116,119**	90,260
	200,556	164,169

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2013 HK$'000	2012 HK$'000
Hong Kong	**46,552**	46,495
Mainland China	**32,507**	31,461
	79,059	77,956

The non-current assets information above is based on the locations of the assets and excludes available-for-sale financial assets.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered and commission income during the year.

5. REVENUE AND OTHER INCOME *(continued)*

An analysis of revenue and other income is as follows:

		Group	
		2013	2012
		HK$'000	HK$'000
Revenue			
Commission and service income from travel related and other services	Note	**114,519**	103,096
Trading and manufacturing of jewellery		**81,391**	57,590
Commission income from sale of jewellery		**4,646**	3,483
		200,556	164,169
Other income			
Handling charge		**1,541**	2,152
Advertising income		**613**	483
Bank interest income		**106**	185
Exchange gains, net		**2,906**	9
Write-back of trade and other payables		**51**	49
Others		**1,245**	1,016
		6,462	3,894

Note:

The gross proceeds received and receivable from the sales of air-tickets and the provision of other related services are as follows:

	2013	2012
	HK$'000	HK$'000
Gross proceeds received and receivable	**3,218,226**	3,278,270

6. PROFIT BEFORE TAX

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

	Notes	Group 2013 HK$'000	2012 HK$'000
Cost of inventories sold		**77,110**	50,267
Depreciation	13	**2,773**	2,804
Auditors' remuneration		**820**	778
Employee benefits expenses (including directors' remuneration (note 8)):			
Wages and salaries and other benefits		**57,539**	54,942
Pension scheme contributions**		**5,320**	5,116
Total employee benefit expense		**62,859**	60,058
Minimum lease payments under operating leases in respect of land and buildings		**10,849**	10,273
Fair value gain on financial assets at fair value through profit or loss		**(11,323)**	(6,191)
Write-off of trade receivables*		**94**	183
Fair value gain on investment properties	14	**(300)**	(600)
Loss on disposal of items of property, plant and equipment, net*		**21**	204

* These balances are included in "other operating expenses" in the consolidated statement of profit or loss.

** At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2013 HK$'000	2012 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**2,220**	4,336
Interest on advances from shareholders (note 35(a)(ii))	**2,897**	2,759
	5,117	7,095

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**460**	460
Other emoluments:		
Salaries, allowances and benefits in kind	**1,920**	1,920
Pension scheme contributions	**96**	96
	2,016	2,016
	2,476	2,476

(a) Independent non-executive directors

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

	2013	2012
	HK$'000	HK$'000
Mr. David John Blackett	**100**	100
Ms. Tse Wong Siu Yin Elizabeth	**75**	75
Mr. Cheng Hong Kei	**75**	75
	250	250

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors:				
Mr. Ng Hung Sang	10	1,920	96	2,026
Mr. Richard Howard Gorges	10	—	—	10
Ms. Cheung Choi Ngor	10	—	—	10
Mr. Ng Yuk Fung Peter	10	—	—	10
	40	1,920	96	2,056
Non-executive directors:				
Ms. Ng Yuk Mui Jessica	50	—	—	50
Mr. David Michael Norman	120	—	—	120
	170	—	—	170
	210	1,920	96	2,226

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012				
Executive directors:				
Mr. Ng Hung Sang	10	1,920	96	2,026
Mr. Richard Howard Gorges	10	—	—	10
Ms. Cheung Choi Ngor	10	—	—	10
Mr. Ng Yuk Fung Peter	10	—	—	10
	40	1,920	96	2,056
Non-executive directors:				
Ms. Ng Yuk Mui Jessica	50	—	—	50
Mr. David Michael Norman	120	—	—	120
	170	—	—	170
	210	1,920	96	2,226

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2012: four) non-director highest paid employees for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,181**	2,966
Discretionary bonuses	**1,978**	1,412
Pension scheme contributions	**156**	55
	7,315	4,433

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

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

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Group	
	2013	2012
	HK$'000	HK$'000
Current — Hong Kong		
Charge for the year	**5,248**	4,320
Overprovision in prior years	**(10)**	(98)
Current — Mainland China		
Charge for the year	**295**	589
Total tax charge for the year	**5,533**	4,811

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

	Group	
	2013	2012
	HK$'000	HK$'000
Profit before tax	**27,406**	24,007
Tax at the Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**4,522**	3,961
Effect of different tax rates of subsidiaries operating in the Mainland China	**100**	200
Expenses not deductible for tax	**3,800**	2,117
Income not subject to tax	**(2,035)**	(1,127)
Tax losses utilised from previous periods	**(846)**	(243)
Tax losses not recognised	**2**	1
Overprovision in prior years	**(10)**	(98)
Total tax charge at the Group's effective rate of 20.2% (2012: 20.0%)	**5,533**	4,811

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$78,000 (2012: HK$79,000) which has been dealt with in the financial statements of the Company (note 30(b)).

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of HK$21,812,000 (2012: HK$19,154,000) and the weighted average number of ordinary shares of 1,823,401,376 in issue during the year.

The calculation of the diluted earnings per share for the year is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2013	2012
	HK$'000	HK$'000
Profit		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculations	**21,812**	19,154

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**1,823,401,376**	1,823,401,376

The Company's share options have no dilutive effect for the two years ended 31 December 2013 and 2012 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013				
At 31 December 2012 and at 1 January 2013:				
Cost	7,279	8,867	6,661	22,807
Accumulated depreciation and impairment	(4,932)	(5,555)	(4,289)	(14,776)
Net carrying amount	2,347	3,312	2,372	8,031
At 1 January 2013, net of accumulated depreciation and impairment	2,347	3,312	2,372	8,031
Additions	680	1,404	716	2,800
Disposals	(14)	—	(132)	(146)
Depreciation provided during the year	(774)	(1,262)	(737)	(2,773)
Exchange realignment	24	75	4	103
At 31 December 2013, net of accumulated depreciation and impairment	2,263	3,529	2,223	8,015
At 31 December 2013:				
Cost	8,044	10,395	7,297	25,736
Accumulated depreciation and impairment	(5,781)	(6,866)	(5,074)	(17,721)
Net carrying amount	2,263	3,529	2,223	8,015

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

Group

	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2012				
At 31 December 2011 and at 1 January 2012:				
Cost	7,067	8,534	6,296	21,897
Accumulated depreciation and impairment	(4,203)	(5,036)	(4,072)	(13,311)
Net carrying amount	2,864	3,498	2,224	8,586
At 1 January 2012, net of accumulated depreciation and impairment	2,864	3,498	2,224	8,586
Additions	375	1,198	887	2,460
Disposals	(16)	(115)	(73)	(204)
Depreciation provided during the year	(886)	(1,265)	(653)	(2,804)
Exchange realignment	10	(4)	(13)	(7)
At 31 December 2012, net of accumulated depreciation and impairment	2,347	3,312	2,372	8,031
At 31 December 2012:				
Cost	7,279	8,867	6,661	22,807
Accumulated depreciation and impairment	(4,932)	(5,555)	(4,289)	(14,776)
Net carrying amount	2,347	3,312	2,372	8,031

14. INVESTMENT PROPERTIES

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**38,600**	38,000
Net gain from a fair value adjustment recognised in statement of profit or loss	**300**	600
Carrying amount at 31 December	**38,900**	38,600

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

	Group	
	2013	2012
	HK$'000	HK$'000
Hong Kong:		
Medium term leases	**38,900**	38,600

The Group's investment properties consist of land in Hong Kong. The Group's investment properties were revalued on 31 December 2013 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$38,900,000 (2012: HK$38,600,000). The Group's finance division had discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Further particulars of the Group's investment properties are included on page 106.

Fair value hierarchy

All investment properties were classified under Level 3 in the fair value hierarchy.

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

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales prices of comparable properties on a price per square metre basis. Below is a summary of the key inputs to the valuation of investment properties:

Group

	Range (weighted average)
Price per square metre	HK$3,229 to HK$10,764 (HK$7,629)

A significant increase/decrease in the price per square metre would result in a significant increase/decrease in the fair value of the investment properties.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**181,712**	181,712
Less: Impairment#	**(33,500)**	(33,500)
	148,212	148,212

An impairment was recognised for interests in subsidiaries with aggregate carrying amount of HK$181,712,000 (before deducting the impairment loss) (2012: HK$181,712,000) because certain subsidiaries have been making loss. There was no change in the impairment account during the current and prior years.

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months from the end of the reporting period and are therefore shown in the statement of financial position as non-current liabilities.

Details of the Company's principal subsidiaries are set out in note 39 to the financial statements.

15. INTERESTS IN SUBSIDIARIES *(continued)*

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

	2013	2012
Percentage of equity interest held by non-controlling interests:		
Chongqing Fortuna Information Technology Co., Ltd.	**30%**	30%
Nanjing South China Baoqing Jewellery Co., Ltd.	**34.55%**	34.55%
Tianjin South China Real Estate Development Co. Ltd.	**49%**	49%

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Chongqing Fortuna Information Technology Co., Ltd.	**5**	(172)
Nanjing South China Baoqing Jewellery Co., Ltd.	**201**	393
Tianjin South China Real Estate Development Co. Ltd.	**(145)**	(116)

	2013 HK$'000	2012 HK$'000
Accumulated balances of non-controlling interests at the reporting dates:		
Chongqing Fortuna Information Technology Co., Ltd.	**1,116**	1,071
Nanjing South China Baoqing Jewellery Co., Ltd.	**4,280**	3,927
Tianjin South China Real Estate Development Co. Ltd.	**16,804**	16,335

15. INTERESTS IN SUBSIDIARIES *(continued)*

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

	Chongqing Fortuna Information Technology Co., Ltd. HK$'000	Nanjing South China Baoqing Jewellery Co., Ltd. HK$'000	Tianjin South China Real Estate Development Co. Ltd. HK$'000
2013			
Revenue	7,049	86,037	—
Other revenue	—	631	—
Total expenses	(7,033)	(86,085)	(296)
Profit/(loss) for the year	16	583	(296)
Total comprehensive income for the year	151	1,019	958
Current assets	5,304	36,060	12,058
Non-current assets	222	294	22,532
Current liabilities	(1,805)	(23,966)	(296)
Net cash flows from/(used in) operating activities	1,968	2,128	(308)
Net cash flows from/(used in) investing activities	(105)	(17)	7
Net cash flows used in financing activities	—	(3,272)	—
Net increase/(decrease) in cash and cash equivalents	1,863	(1,161)	(301)

15. INTERESTS IN SUBSIDIARIES *(continued)*

	Chongqing Fortuna Information Technology Co., Ltd. HK$'000	Nanjing South China Baoqing Jewellery Co., Ltd. HK$'000	Tianjin South China Real Estate Development Co. Ltd. HK$'000
2012			
Revenue	5,180	61,074	—
Other income	—	495	—
Total expenses	(5,754)	(60,431)	(236)
Profit/(loss) for the year	(574)	1,138	(236)
Total comprehensive income/(loss) for the year	(581)	1,120	(294)
Current assets	36,060	34,726	11,913
Non-current assets	294	309	21,709
Current liabilities	(23,966)	(23,668)	(285)
Net cash flows from/(used in) operating activities	(627)	5,010	(257)
Net cash flows from/(used in) investing activities	(70)	(5)	21
Net cash flows used in financing activities	—	(4,693)	—
Net increase/(decrease) in cash and cash equivalents	(697)	312	(236)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Club debentures and membership	**461**	461
Listed equity investments, at market value	**48,105**	44,249
	48,566	44,710

During the year, the fair value gain in respect of the Group's listed equity investments recognised in the statement of other comprehensive income amounted to HK$3,847,000 (2012: HK$15,391,000) and no amount was reclassified from other comprehensive income to the statement of profit or loss and no impairment was recognised in profit or loss (2012: Nil).

The investments in club debentures and memberships have no fixed maturity date or coupon rate.

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

17. OTHER NON-CURRENT ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Land development costs	**22,528**	21,709
Deposit for acquisition of properties	**6,622**	6,622
	29,150	28,331

18. GOODWILL

Group

	HK$'000
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	
Cost and net carrying amount	2,994

18. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to travel related services business cash-generating unit for impairment testing.

The recoverable amount of the travel related services business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets. The discount rate applied to the cash flow projections is 9% (2012: 9%). The growth rate used to extrapolate the cash flows of the travel related services business unit beyond the five-year period is 3% (2012: 3%) which is the same as the long term average growth rate of the travel related services business industry.

The net carrying amount of the goodwill allocated to the travel related services business cash-generating unit is HK$2,994,000 (2012: HK$2,994,000).

Key assumptions were used in the value in use calculation of the travel related services business cash-generating unit for both years. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The budgeted gross margins is determined based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

19. INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**2,441**	2,101
Finished goods	**29,668**	28,071
	32,109	30,172
Provision against obsolete inventories	**(139)**	(134)
	31,970	30,038

At 31 December 2013, the Group's inventories with a value of HK$7,674,000 (2012: HK$8,627,000) were pledged to secure banking facilities granted to the Group (note 24).

20. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of approximately HK$181,749,000 (2012: HK$171,277,000) as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**184,402**	173,833
Less: Impairment	**(2,653)**	(2,556)
	181,749	171,277

The Group's trading terms with its customers are on credit with credit periods ranging from one to three months (2012: one to three months), depends on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**175,720**	162,588
91 to 180 days	**4,850**	4,748
181 to 365 days	**956**	2,355
Over 365 days	**223**	1,586
	181,749	171,277

The movements in impairment of trade receivables are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**2,556**	2,563
Exchange realignment	**97**	(7)
At 31 December	**2,653**	2,556

20. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,653,000 (2012: HK$2,556,000) with carrying amounts before provision of HK$2,653,000 (2012: HK$2,556,000). The individually impaired trade receivables relate to customers that were in financial difficulties.

The ageing analysis of the trade receivables based on due date that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**178,812**	166,843
91 to 180 days	**2,015**	2,197
181 to 365 days	**726**	2,167
Over 365 days	**196**	70
	181,749	171,277

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2013, the Group's trade and other receivables with aggregate net carrying value of HK$12,946,000 (2012: HK$20,453,000) were pledged to secure its banking facilities (note 24).

Included in other receivables is an amount due from a former subsidiary of the Group of HK$14,676,000 (2012: HK$13,095,000), which bears interest at 8% per annum and will be repayable in September 2014. The terms are mutually agreed by both parties.

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**40,916**	30,098

The above financial assets at 31 December 2013 and 2012 were classified as held for trading. The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$38,537,000 (2012: HK$33,534,000).

22. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

		Group		Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**34,229**	31,854	**5**	2
Time deposits		**3,250**	15,214	**—**	—
		37,479	47,068	**5**	2
Less: Pledged for banking facilities	24	**(3,250)**	(15,214)	**—**	—
Cash and cash equivalents		**34,229**	31,854	**5**	2

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$20,849,000 (2012: HK$20,576,000). RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of approximately HK$94,987,000 (2012: HK$87,961,000) and their ageing analysis as at the end of reporting period, based on the invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**93,113**	86,701
91 to 180 days	**265**	184
181 to 365 days	**608**	170
Over 365 days	**1,001**	906
	94,987	87,961

The trade payables are non-interest-bearing and are normally settled on 15 to 90-day terms (2012: 15 to 90-day).

Other payables are non-interest-bearing and have an average term of three months (2012: three months).

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2013			2012		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts						
— unsecured	**5.8**	**On demand**	**991**	N/A	N/A	—
Bank loans						
— unsecured	**2.2**	**2014**	**10,000**	2.8-6.9	2013	29,232
Bank loans						
— secured	**2.2-7.2**	**2014**	**18,025**	2.2-8.2	2013	26,012
Other borrowings	**7**	**On demand**	**8,403**	7	On demand	7,506
			37,419			62,750

24. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group	
	2013	2012
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable within one year or on demand	**29,016**	55,244
Other borrowings repayable on demand	**8,403**	7,506
	37,419	62,750

Notes:

(a) At the end of the reporting period, the Group's bank borrowings of approximately HK$18,025,000 (2012: HK$26,012,000) are secured by:

(i) the pledge of the Group's time deposits of HK$3,250,000 (2012: HK$15,214,000) (note 22);

(ii) the pledge of the Group's inventories which had an aggregate carrying value at the end of the reporting period of approximately HK$7,674,000 (2012: HK$8,627,000) (note 19); and

(iii) the pledge of the Group's trade and other receivables which had an aggregate carrying value at the end of the reporting period of approximately HK$12,946,000 (2012: HK$20,453,000) (note 20).

(b) Except for bank loans with an aggregate amount of HK$7,674,000 (2012: HK$9,859,000) and other borrowings of HK$8,403,000 (2012: HK$7,506,000) which are denominated in RMB, all other borrowings are in Hong Kong dollars.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values. The fair values of the bank and other borrowings are the present values of future cash flows, discounted at prevailing interest rates at 31 December 2013.

25. ADVANCES FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from/to non-controlling shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

26. ADVANCES FROM SHAREHOLDERS

Except for the amounts of HK$60,837,000 (2012: HK$57,940,000) which are interest-bearing at the Hong Kong dollar prime rate per annum and will not be repayable within 12 months from the end of the reporting period, the remaining advances from shareholders are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts as at the end of the reporting period will not be repayable within 12 months from the end of the reporting period and are therefore shown in the statement of financial position as non-current liabilities.

27. DEFERRED TAX

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**187,047**	189,362	**5,079**	5,079

The tax losses arising in Hong Kong of HK$180,971,000 (2012: HK$176,707,000) are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the Mainland China of HK$6,076,000 (2012: HK$12,655,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

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

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$72,000 at 31 December 2013 (2012: HK$60,000).

28. SHARE CAPITAL

Shares

	2013	2012
	HK$'000	HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each	**100,000**	100,000
Issued and fully paid:		
1,823,401,376 ordinary shares of HK$0.025 each	**45,584**	45,584

29. SHARE OPTION SCHEMES

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

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

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

(i) 2002 Share Option Scheme

(a) *Purpose of the 2002 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the Company approved the adoption of the 2002 Share Option Scheme at the annual general meeting held on 31 May 2002.

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

According to the 2002 Share Option Scheme, the board may, at its discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

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

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

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

29. SHARE OPTION SCHEMES *(continued)*

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

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

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

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

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

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

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

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

(c) *Total number of shares available for issue under the 2002 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2002 Share Option Scheme, i.e. a total of 182,340,137.

(d) *Maximum entitlement of each participant*

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

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

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

29. SHARE OPTION SCHEMES *(continued)*

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

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

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2002 Share Option Scheme provide that the board of the Company has the discretion to impose a minimum period at the time of grant of any particular option.

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

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

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

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

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

The 2002 Share Option Scheme was in force for a period of 10 years commencing on 28 June 2002 and was terminated on 5 June 2012.

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

	2013 Weighted average exercise price HK$ per share	**Number of options '000**	2012 Weighted average exercise price HK$ per share	Number of options '000
At 1 January and 31 December	**2**	**92,200**	2	92,200

29. SHARE OPTION SCHEMES *(continued)*

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

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

	Number of share options								
Name or category of participants	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2013	Date of grant of share options (DD/MM/YYYY) (Note 1)	Exercise period of share options (DD/MM/YYYY)	Exercise price per share HK$ (Note 2)
Directors									
Cheung Choi Ngor	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2008–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2009–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2010–17/09/2017	2.00
Richard Howard Gorges	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2008–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2009–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2010–17/09/2017	2.00
Ng Yuk Mui Jessica	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2008–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2009–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2010–17/09/2017	2.00
Ng Yuk Fung Peter	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2008–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2009–17/09/2017	2.00
	6,000,000	—	—	—	—	6,000,000	18/09/2007	18/09/2010–17/09/2017	2.00
Sub-total	72,000,000	—	—	—	—	72,000,000			
Others									
In aggregate	6,733,333	—	—	—	—	6,733,333	18/09/2007	18/09/2008–17/09/2017	2.00
	6,733,333	—	—	—	—	6,733,333	18/09/2007	18/09/2009–17/09/2017	2.00
	6,733,334	—	—	—	—	6,733,334	18/09/2007	18/09/2010–17/09/2017	2.00
Sub-total	20,200,000	—	—	—	—	20,200,000			
Total	92,200,000	—	—	—	—	92,200,000			

Notes:

(1) All share options granted are subject to a vesting period and become exercisable in whole or in part in the following manner:

From the date of grant of share options	**Exercisable percentage** %
Within 12 months	Nil
13th month–24th month	not more than 33 1/3
25th month–36th month	not more than 66 2/3
37th month–120th month	100

(2) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

29. SHARE OPTION SCHEMES *(continued)*

No share options have been granted, exercised or cancelled during the year ended 31 December 2013. No share option expense was recognised during the two years ended 31 December 2013 and 2012.

At the end of the reporting period, the Company had 92,200,000 share options outstanding under the 2002 Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 92,200,000 additional ordinary shares of the Company with additional share capital of HK$2,305,000 and share premium of HK$182,095,000 (before issue expenses).

The fair value of equity-settled share options granted during the year ended 31 December 2007 was estimated as at the date of grant using a option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	0.00
Average expected volatility (%)	68.57
Average historical volatility (%)	68.57
Average risk-free interest rate (%)	3.96
Expected life of options (year)	3–5
Weighted average share price (HK$)	1.374

The expected life of the options is based on the management estimation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends.

No other feature of the options granted was incorporated into the measurement of fair value.

No share option was exercised during the year.

(ii) 2012 Share Option Scheme

(a) *Purpose of the 2012 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

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

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

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

29. SHARE OPTION SCHEMES *(continued)*

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

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

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

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

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

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

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

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

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

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

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

(c) *Total number of shares available for issue under the 2012 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2012 Share Option Scheme, i.e. a total of 182,340,137.

As at 31 December 2013, the total number of shares available for issue pursuant to the grant of further share options under the 2012 Share Option Scheme was 182,340,137, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report.

29. SHARE OPTION SCHEMES *(continued)*

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

(d) *Maximum entitlement of each participant*

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

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

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

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

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

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

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

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

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

(i) *Remaining life of the 2012 Share Option Scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

During the year ended 31 December 2013, no share option has been granted, exercised or cancelled under the 2012 Share Option Scheme since its adoption.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012	54,416	4,069	44,025	102,510
Total comprehensive loss for the year	—	—	(79)	(79)
At 31 December 2012 and 1 January 2013	54,416	4,069	43,946	102,431
Total comprehensive loss for the year	—	—	(78)	(78)
At 31 December 2013	54,416	4,069	43,868	102,353

The Company's reserves available for distribution represent the share premium account and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2013 amounted to approximately HK$98,284,000 (2012: HK$98,362,000).

31. CONTINGENT LIABILITIES

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Guarantees given to banks in connection with banking facilities granted to: Subsidiaries	**—**	—	**186,450**	141,450

At 31 December 2013, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised by the subsidiaries to the extent of approximately HK$21,343,000 (2012: HK$45,385,000).

32. PLEDGES OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure the banking facilities granted to the Group and are analysed as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Net book values of the pledged assets:		
Inventories	**7,674**	8,627
Trade and other receivables	**12,946**	20,453
Bank deposits	**3,250**	15,214
	23,870	44,294

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its retail stores and office properties under operating lease arrangements. Leases for these retail stores are negotiated for terms of eight years (2012: eight years), and those for office properties are for terms ranging from one to five years (2012: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**9,866**	8,990
In second to fifth years, inclusive	**20,587**	9,756
After five years	**—**	1,638
	30,453	20,384

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group has capital commitments contracted, but not provided for in relation to acquisition of land in the Mainland China of approximately HK$3,619,000 (2012: HK$3,488,000) at the end of the reporting period.

At the end of the reporting period, the Company did not have any significant capital commitment (2012: Nil).

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

Related party	Nature of transaction	Notes	2013 HK$'000	2012 HK$'000
Companies in which certain directors have beneficial interests*/#	Net proceeds from air-tickets and travel related services sold	(i)	**269**	194
Companies in which certain directors have beneficial interests*/**	Rental expenses	(i)	**2,539**	2,539
Shareholders#	Interest expenses	(ii)	**2,897**	2,759

* The directors of the Company are also the directors and/or substantial shareholders of the related companies.

** The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

\# The related party transactions also constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

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

(ii) The interest expenses were charged at the Hong Kong dollar prime rate per annum on the outstanding balances due to the shareholders.

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 15, 25 and 26 to the financial statements.

(c) Compensation of key and senior management personnel of the Group:

Certain directors are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group **2013**

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	48,566	48,566
Trade and other receivables	—	231,415	—	231,415
Financial assets at fair value through profit or loss	40,916	—	—	40,916
Advances to non-controlling shareholders of subsidiaries	—	1,878	—	1,878
Pledged bank deposits	—	3,250	—	3,250
Cash and bank balances	—	34,229	—	34,229
	40,916	270,772	48,566	360,254

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and other payables	155,572
Interest-bearing bank and other borrowings	37,419
Advances from shareholders	62,438
	255,429

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group 2012

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	44,710	44,710
Trade and other receivables	—	220,863	—	220,863
Financial assets at fair value through profit or loss	30,098	—	—	30,098
Advances to non-controlling shareholders of subsidiaries	—	1,775	—	1,775
Pledged bank deposits	—	15,214	—	15,214
Cash and bank balances	—	31,854	—	31,854
	30,098	269,706	44,710	344,514

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and other payables	143,320
Interest-bearing bank and other borrowings	62,750
Advances from non-controlling shareholders of subsidiaries	25
Advances from shareholders	59,541
	265,636

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Bank balances	**5**	2

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Other payables	**61**	61
Due to subsidiaries	**219**	138
	280	199

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and bank balances, pledged bank deposits, balances with non-controlling shareholders of subsidiaries, trade and other receivables, trade and other payables and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance division is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance division analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Group's finance division had discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

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

The following methods and assumptions were used to estimate the fair values:

The non-current portion of advances from shareholders was not discounted as the discounting factors were considered by management to be insignificant.

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

At the end of each reporting period, the financial instruments measured at fair value held by the Group were classified at level 1.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with a floating interest rate. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR.

If there would be a general increase in the interest rates of net debts obligations with floating interest rates by fifty basis points (2012: fifty basis points), with all other variables held constant, the Group's profit before tax and retained profits would be decreased by approximately HK$449,000 (2012: HK$538,000) for the year ended 31 December 2013.

Foreign currency risk

The Group operates in Hong Kong and the Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in the Mainland China. The directors consider that the exchange rates of the Hong Kong dollar against the United States dollar in the foreseeable future are expected to be relatively stable and the appreciation in RMB against the Hong Kong dollar is expected to be mild. There is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

The Group has certain investments in operations in the Mainland China, whose net assets are exposed to translation risk. Management does not expect any material adverse impact on the foreign exchange fluctuation, as expected and mild appreciation in RMB will further benefit the Group's net asset position in the Mainland China.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Group		
	Change in foreign currency rate %	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2013			
If Hong Kong dollar weakens against RMB	**5**	**—**	**4,957**
If Hong Kong dollar strengthens against RMB	**5**	**—**	**(4,957)**

	Group		
	Change in foreign currency rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2012			
If Hong Kong dollar weakens against RMB	5	—	3,654
If Hong Kong dollar strengthens against RMB	5	—	(3,654)

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's concentration of credit risk is mainly in Hong Kong and the Mainland China by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	**2013**				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
Trade and other payables	**60,047**	**94,885**	**640**	**—**	**155,572**
Interest-bearing bank and other borrowings	**9,394**	**20,352**	**7,673**	**—**	**37,419**
Advances from shareholders	**—**	**—**	**—**	**62,438**	**62,438**
	69,441	**115,237**	**8,313**	**62,438**	**255,429**

Group	2012				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000
Trade and other payables	55,578	87,742	—	—	143,320
Interest-bearing bank and other borrowings	7,506	45,385	9,859	—	62,750
Advances from non-controlling shareholders of subsidiaries	—	—	25	—	25
Advances from shareholders	—	—	—	59,541	59,541
	63,084	133,127	9,884	59,541	265,636

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Company	**2013**				
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Over 1 year HK$'000**	**Total HK$'000**
Other payables	**61**	**—**	**—**	**—**	**61**
Due to subsidiaries	**—**	**—**	**—**	**219**	**219**
Guarantees given to banks in connection with facilities granted to subsidiaries	**21,343**	**—**	**—**	**—**	**21,343**
	21,404	**—**	**—**	**219**	**21,623**

Company	2012				
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000
Other payables	61	—	—	—	61
Due to subsidiaries	—	—	—	138	138
Guarantees given to banks in connection with facilities granted to subsidiaries	45,385	—	—	—	45,385
	45,446	—	—	138	45,584

Equity price risk

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2013	**High/low 2013**	31 December 2012	High/low 2012
Hong Kong — Hang Seng Index	**23,306**	**24,112/ 19,426**	22,657	22,719/ 18,056

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of equity investments HK$'000	**Change in profit before tax HK$'000**	**Change in equity* HK$'000**
2013			
Investments listed in:			
Hong Kong — Held-for-trading	**40,916**	**4,092**	**—**
— Available-for-sale	**48,105**	**—**	**4,811**

	Carrying amount of equity investments HK$'000	Change in profit before tax HK$'000	Change in equity* HK$'000
2012			
Investments listed in:			
Hong Kong — Held-for-trading	30,098	3,010	—
— Available-for-sale	44,249	—	4,425

* Excluding retained earnings

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank and other borrowings less cash and bank balances. Capital represents total equity. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest-bearing bank and other borrowings	**37,419**	62,750
Less: Cash and bank balances	**(34,229)**	(31,854)
Net debt	**3,190**	30,896
Capital	**214,003**	185,706
Capital and net debt	**217,193**	216,602
Gearing ratio	**1.5%**	14.3%

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Fortuna Information Technology Co., Ltd. (note c)	The PRC/Mainland China	RMB3,330,000	70%	Information technology related business
Four Seas Travel (BVI) Limited	British Virgin Islands	US$100	100%	Investment holding
Glad Light Investment Limited	Hong Kong	HK$10,000	100%	Property investment
Greenearn Investments Limited	Hong Kong	HK$2	100%	Investment holding
Hong Kong Four Seas Tours Limited	Hong Kong	HK$20,800,000 Ordinary HK$1,200,000 Non-voting deferred (note b)	100%	Sale of air-tickets and provision of travel related services
Jadeland Investment Limited	Hong Kong	HK$2	100%	Property investment
King Link Investments Limited	Hong Kong	HK$2	100%	Investment holding
Nanjing South China Baoqing Jewellery Co., Ltd. (note c)	The PRC/ Mainland China	RMB5,500,000	65.45%	Trading and manufacturing of jewellery
South China (BVI) Limited	British Virgin Islands	US$10,000	100%	Investment holding
South China Information Technology Development Limited	Cayman Islands	HK$1	100%	Investment holding
Southchinanet.com (BVI) Limited	British Virgin Islands	US$1	100%	Investment holding
Splendid Enterprises Limited	British Virgin Islands	US$1	100%	Investment holding
Super Giant Limited	British Virgin Islands	US$1	100%	Investment holding
Tek Lee Finance and Investment Corporation Limited	Hong Kong	HK$287,498,818	100%	Investment holding
Tianjin South China Real Estate Development Co. Ltd. (note c)	The PRC/Mainland China	RMB43,000,000	51%	Property investment
Winfound Investments Limited	Hong Kong	HK$2	100%	Property investment
Worldunity Investments Limited	Hong Kong	HK$10,000	100%	Investment holding

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

(a) The above principal subsidiaries, except South China (BVI) Limited, are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) These are Sino-foreign equity joint ventures established in the PRC and are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young network.

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results for the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Save as aforesaid, none of the subsidiaries had any debt securities in issue at any time during the year or at the end of the year.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 18 March 2014.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated accordingly, is set out below.

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
REVENUE	**200,556**	164,169	152,271	129,979	215,792
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**27,406**	24,007	(472)	(6,630)	70,684
INCOME TAX EXPENSES	**(5,533)**	(4,811)	(4,893)	(4,849)	(4,116)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**21,873**	19,196	(5,365)	(11,479)	66,568
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**—**	—	(19,201)	2,772	17,907
PROFIT/(LOSS) FOR THE YEAR	**21,873**	19,196	(24,566)	(8,707)	84,475
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**21,812**	19,154	(14,769)	(13,646)	89,237
NON-CONTROLLING INTERESTS	**61**	42	(9,797)	4,939	(4,762)
	21,873	19,196	(24,566)	(8,707)	84,475

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**471,429**	452,508	506,181	565,655	487,094
TOTAL LIABILITIES	**(257,426)**	(266,802)	(353,627)	(372,555)	(287,645)
TOTAL EQUITY	**214,003**	185,706	152,554	193,100	199,449
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**192,489**	165,019	131,874	152,141	163,814
NON-CONTROLLING INTERESTS	**21,514**	20,687	20,680	40,959	35,635
	214,003	185,706	152,554	193,100	199,449

Particulars of the Properties

INVESTMENT PROPERTIES

Location	Group's interest	Existing use
Hong Kong	100%	Vacant
Lot Nos. 116-121, 123-126, 127A, 127R.P., 129-135, 136A, 136R.P., 137, 140, 141A, 141B, 141C, 143, 144, 145, 146A, 146R.P., 148 in Demarcation District No. 236 Tai Wan Tau Clear Water Bay New Territories Hong Kong		