

 ANNUAL REPORT 2013



*Multifield*

**Multifield International Holdings Limited**

(Incorporated in Bermuda with limited liability)

(Stock Code: 0898)



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Lau Chi Yung, Kenneth (*Chairman*)  
Mr. Lau Michael Kei Chi  
(*Vice-Chairman and Managing Director*)

#### Independent Non-executive Directors

Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Lo Yick Wing  
Mr. Tsui Ka Wah

#### AUDIT COMMITTEE

Mr. Wong Yim Sum (*Chairman*)  
Mr. Lee Siu Man, Ervin  
Mr. Lo Yick Wing  
Mr. Tsui Ka Wah

#### REMUNERATION COMMITTEE

Mr. Tsui Ka Wah (*Chairman*)  
Mr. Lau Chi Yung, Kenneth  
Mr. Lau Michael Kei Chi  
Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Lo Yick Wing

#### NOMINATION COMMITTEE

Mr. Lau Chi Yung, Kenneth (*Chairman*)  
Mr. Lau Michael Kei Chi  
Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Lo Yick Wing  
Mr. Tsui Ka Wah

#### COMPANY SECRETARY

Mr. Lau Kwok Yin

#### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank J. Safra Sarasin Ltd, Hong Kong Branch  
Bank of China

#### SOLICITORS

Cheung Tong & Rosa Solicitors  
Poon, Yeung & Li  
Peter C. Wong, Chow & Chow

#### AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

#### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

#### PRINCIPAL PLACE OF BUSINESS

Units 22-28, 25/F  
Tower A, Southmark  
11 Yip Hing Street  
Wong Chuk Hang  
Hong Kong

#### PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

#### HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "Board") of Multifield International Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

### REVIEW OF OPERATION

Both global and local economy were full of uncertainties in year of 2013, in particular, influenced by the schedule of tapering by the US Federal Reserve. Additionally, Hong Kong government had strengthened the control on property market in early 2013, leading to suppression on the property trading market. During the year under review, the Group recorded a net profit of about HK\$904 million (2012: HK\$630 million).

### PROPERTY INVESTMENT

#### Hong Kong

Investment properties in Hong Kong mainly comprise of office buildings, industrial buildings, shopping centres, and retail shops. Favored by the government's BSD and SSD policies which increases the demand of rental units, the investment property portfolio contributed stable rental revenue.

The Group had purchased an office premise located at Southmark, Wong Chuk Hang in early 2013. A portion of the office premise is now used as the Group's new Hong Kong headquarter office.

The Group's old Hong Kong headquarter building (54 Wong Chuk Hang Road, Hong Kong) is now under demolishing work. The Group will start the construction of a new 30+ floor building on the existing site, expected to be completed in year 2017/2018. The Group expects that the new building will provide a new and reliable source of income to the Group.

#### Shanghai, PRC

The Group's properties portfolio in Shanghai, PRC is divided into three residential complexes, comprising of around 182 blocks of hotel-serviced houses and 132 hotel-serviced apartment units respectively. Our properties in Shanghai are operated under the name of "Windsor Renaissance", which is regarded as a symbol of high quality villas and hotel-serviced apartments in Shanghai, and are well received by consulates and foreign business entities. The Shanghai properties has an average occupancy rate of approximately 90%, and generates stable rental and management fee revenue.

#### Zhuhai, PRC

The Group holds two land banks in Zhuhai, PRC.

The 36,808 square meters land in Qianshan CBD is designated for shopping mall and retail stores purposes. Due to difficulties in demolition and relocation work, the Group proposed to the local government our willingness to further inject funding to the project and assist the government to speed up the relocation process.

In regards to the 94,111 square meters land in Doumen, the Group was recently verbally informed by the Doumen local government that they are unable to issue the building permit to the Group due to a possible change in town planning in the area. They had also verbally expressed their intention to repurchase the land from us to enable them to accommodate the river bank reformation. However, nothing can be concluded at this moment. The Group will further discuss with the Doumen local government.

## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

### TRADING AND INVESTMENTS

Stock market and bond market both shows signs of recovery due to active Quantitative Easing in the US and other main industrial countries. As of 31 December 2013, the Group holds around HK\$624 million of equity investment and around HK\$265 million of available-for-sale listed debt investments. The Group's equity investments recorded a net fair value loss of approximately HK\$46 million (2012: net gain of HK\$39 million) when marking the investment portfolios to market valuation as of 31 December 2013.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and debt investments of approximately HK\$889 million (2012: HK\$477 million) as of 31 December 2013. The Group's cash and cash equivalents as of 31 December 2013 amounted to approximately HK\$182 million (2012: HK\$207 million).

As of 31 December 2013, the Group had total bank and other borrowings amounting to approximately HK\$1,254 million (2012: HK\$922 million), which were secured by legal charges on the Group's certain investment properties in Hong Kong and Shanghai, and certain equity investments and available-for-sale investments. With the total bank and other borrowings of HK\$1,254 million (2012: HK\$922 million) and the aggregate of the shareholder funds, non-controlling interests and total bank borrowings of approximately HK\$6,977 million (2012: HK\$5,640 million), the Group's gearing ratio as at 31 December 2013 was around 18% (2012: 16%).

### EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2013, the Group had approximately 245 employees in Shanghai, Zhuhai and Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance, experience and the prevailing market condition. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, provident fund and tuition/training subsidies.

### PROSPECT

Taping of easing measures of the US Federal Reserve has begun, yet the exact schedule is still uncertain. This is a sign that the US economy is on the road to recovery, however, potential increase in interest rate will exert pressure on price on equity investments and available-for-sale investments, particular in high-yield equity investments and long-term debt instruments. As Hong Kong Dollar is pegged to the US Dollars, these potential fluctuations in US economy may have a significant impact on the Hong Kong economy.

China's economic growth has slowed down in 2013 with GDP growth of 7.7% in 2013. It is expected that China's GDP growth rate in 2014 will further slow down, with the Chinese government targeting a 7.5% GDP growth rate for 2014. Domestic consumptions and investments will be the major contributors to Chinese economic growth. Despite the tightening of bank loans granted by Chinese banks and a slower economic growth, China remains as one of the world economies with fast growth, hence inflationary pressure on utilities and salaries expenses remain a key challenge to the Group.



## CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

Hong Kong government has strengthened the control on property market in early 2013, leading to suppression on the property trading market throughout the year. On February 2014, after the passing of the stamp duty bill (BSD and amended SSD) policies, property price and trading volume in Hong Kong decreased accordingly. It is likely that these control measures will not be withdrawn in the near term, meaning, the property market is likely to be under downward pressure as compared to 2013. The Group will adopt its usual prudent capital and funding management to meet the challenges ahead, while strengthening the rental business and seizing further investment opportunities.

### ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust. The Board and management have decided to propose a final dividend of HK0.7 cents per share at the forthcoming annual general meeting. I would also like to thank my fellow directors for their support and all the staff for their dedication and hard work. I believe that we will create greater value to our investors in the future.

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong, 25 March 2014

## BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. LAU Chi Yung, Kenneth**, aged 54, is the Chairman and a Director of the Company. Mr. Lau is also the Chairman and a Director of Oriental Explorer Holdings Limited (Stock Code: 430) (“Oriental Explorer”), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Mr. LAU Michael Kei Chi**, aged 60, is the Vice-Chairman and Managing Director of the Company. Mr. Lau is also the Vice-Chairman and Managing Director of Oriental Explorer and is the elder brother of Mr. Lau Chi Yung, Kenneth.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LEE Siu Man, Ervin**, aged 58, is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects, and the founder and currently the Managing Director of Fotton-ELA Architects Ltd. and Ervin & Lloyds Engineering Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning, and estate surveying and construction in the building and development field. He is also an Independent Non-executive Director of Oriental Explorer.

**Mr. WONG Yim Sum**, aged 48, is currently the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. Mr. Wong has extensive experience in the finance and auditing fields and is currently practicing as a Certified Public Accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). He is also an Independent Non-executive Director of Oriental Explorer.

**Mr. LO Yick Wing**, aged 61, is a Registered Architect and Authorized Person in Hong Kong. He has attained Class I Registered Architect Qualification (中華人民共和國一級註冊建築師資格) in the People’s Republic of China (the “PRC”). He is a member of the Hong Kong Institute of Architects and the Australian Institute of Architects and The Association of Architectural Practices Ltd. Mr. Lo is the founder and currently the Managing Director of Lo & Partners Architects & Development Consultants Ltd. which provide comprehensive professional services including architecture, planning, interior design, landscaping design and real estate development consultancy. He is also an Independent Non-executive Director of Oriental Explorer.

**Mr. TSUI Ka Wah**, aged 61, has 28 years of banking experience with United States and local banks, and has held various management positions in corporate, retail and private banking. Until 2009, he was the President of Great China Region for a U.S. bank, overseeing operations in Taiwan, the PRC and Hong Kong. Since August 2013, he has held the position of Chief Executive Officer of SME Credit Company Limited. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong. He is also an Independent Non-executive Director of Oriental Explorer, Southeast Asia Properties & Finance Limited (Stock Code: 252) and Grand Ming Group Holdings Limited (Stock Code: 1271) respectively, whose shares are listed on the main board of the Stock Exchange.

## BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

#### Hong Kong

**Ms. SIU Wai King, Donna**, aged 49, is the General Manager of the Group. She is responsible for the business of property investment and property management in Hong Kong and has over 20 years' experience. She is also responsible for the Group's personnel and administration work.

**Mr. WONG Ka Wah**, aged 35, is the Deputy Manager of the Accounting Department of the Group. He holds a Bachelor Degree and is a member of the HKICPA. He has over 7 years' experience in auditing and accounting.

**Mr. LAU Kwok Yin**, aged 29, is the Company Secretary of the Company. He holds a Bachelor Degree and is a member of the HKICPA. He has over 5 years' experience in finance and banking operations.

#### Shanghai, PRC

**Mr. MASSY Jean-Philippe**, aged 37, is the General Manager of the Group's subsidiaries in Shanghai. He is responsible for the property management of the hotel service apartments business in Shanghai. He holds a Master Degree in Management. He has over 10 years' experience in management and marketing.

**Ms. FAN Qing**, aged 44, is the Accounting Department Manager of the Group's subsidiaries in Shanghai. She holds 國家中級會計師資格. She has over 15 years' experience in real estate development and operation.

**Ms. WANG Shu Fen**, aged 58, is the Procurement Department Manager of the Group's subsidiaries in Shanghai. She is a Certified Public Accountant. She is responsible for costs control and internal audit of the Group. She has over 15 years' experience in accounting and auditing.

**Ms. WANG Wen Yang**, aged 35, is the Property Leasing Department Manager of the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She is responsible for the leasing and sales of properties in the PRC. She has over 10 years' experience in real estate leasing.

**Ms. WANG Yu**, aged 42, is the Personnel and Administration Department Manager of the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She has over 10 years' experience in personnel administration.

**Ms. MAO Ling Hua**, aged 39, is the Property Manager of Windsor Place, a project under the Group's subsidiaries in Shanghai. She is a College Graduate. She has over 15 years' experience in property management.

**Ms. PU Qian Yu**, aged 41, is the Property Manager of Windsor Park, a project under the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She has over 8 years' experience in property management.

**Ms. SHEN Yan**, aged 40, is the Property Manager of Windsor Court, a project under the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She has over 10 years' experience in property management.

#### Zhuhai, PRC

**Ms. GU He**, aged 37, is the Accounting Department Manager of the Group's subsidiaries in Zhuhai. She holds a Bachelor Degree and 國家中級會計師資格. She has over 15 years' experience.

**Mr. CHEN Gang**, aged 44, is the Project Manager of the Group's subsidiaries in Zhuhai. He is a college graduate. He has over 10 years' experience in property development.

**Ms. JIAN Chu Shan**, aged 39, is the Deputy Manager of Accounting Department of the Group's subsidiaries in Zhuhai. She holds a Bachelor Degree.



## REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

### RESULTS AND DIVIDENDS

The Group's profit 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 23 to 28.

The directors recommend the payment of a final dividend of HK0.7 cents per ordinary share in respect of the year ended 31 December 2013 (2012: HK0.65 cents), to shareholders whose name appeared on the register of members on 6 June 2014. The final dividend if approved, will be payable to the shareholders on or around 18 June 2014. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the statement of financial position.

### SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years. The information has been extracted from the published audited financial statements of the Company, after appropriate adjustments and reclassifications. This summary does not form part of the audited financial statements.

### RESULTS

	Year ended 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	<b>216,011</b>	282,610	141,550	215,354	228,671
Cost of sales	<b>(32,998)</b>	(35,429)	(47,536)	(29,145)	(25,358)
Gross profit	<b>183,013</b>	247,181	94,014	186,209	203,313
Other income and gains	<b>878,178</b>	441,531	238,340	564,125	535,343
Operating and administrative expenses	<b>(52,341)</b>	(47,634)	(86,073)	(25,947)	(38,213)
Finance costs	<b>(23,087)</b>	(13,912)	(10,512)	(7,446)	(6,826)
Profit before tax	<b>985,763</b>	627,166	235,769	716,941	693,617
Income tax (expense)/credit	<b>(81,400)</b>	2,883	(46,410)	(4,246)	(168,152)
Profit for the year	<b>904,363</b>	630,049	189,359	712,695	525,465
Attributable to:					
Owners of the Company	<b>710,464</b>	535,554	172,435	512,204	423,999
Non-controlling interests	<b>193,899</b>	94,495	16,924	200,491	101,466
	<b>904,363</b>	630,049	189,359	712,695	525,465

## REPORT OF THE DIRECTORS

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Total assets	<b>8,055,342</b>	6,603,342	5,971,037	5,480,661	4,686,075
Total liabilities	<b>(2,332,824)</b>	(1,885,324)	(1,961,707)	(1,622,026)	(1,624,395)
Non-controlling interests	<b>(1,276,604)</b>	(1,079,957)	(948,037)	(961,143)	(761,930)
	<b><u>4,445,914</u></b>	<u>3,638,061</u>	<u>3,061,293</u>	<u>2,897,492</u>	<u>2,299,750</u>

### 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 15 and 16 to the financial statements, respectively.

### PROPERTIES HELD FOR SALE

Details of the Group's properties held for sale are set out in note 19 to the financial statements.

### SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in the share capital and share option scheme of the Company during the year are set out in notes 29 and 30 to the financial statements, respectively.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year.

### RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As of 31 December 2013, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act of Bermuda, amounted to approximately HK\$910,835,000 (2012: HK\$940,199,000).

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.



## REPORT OF THE DIRECTORS

### DIRECTORS

The directors of the Company (the “Director(s)”) during the year and up to the date of this report were:

#### Executive Directors

Mr. Lau Chi Yung, Kenneth *(Chairman)*  
Mr. Lau Michael Kei Chi *(Vice-Chairman and Managing Director)*

#### Independent Non-executive Directors

Mr. Lee Siu Man, Ervin  
Mr. Wong Yim Sum  
Mr. Lo Yick Wing  
Mr. Tsui Ka Wah

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

In accordance with the Company’s bye-laws, Mr. Wong Yim Sum and Mr. Lo Yick Wing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Brief biography of the Directors and senior management of the Group are set out on pages 6 to 7 of the annual report.

### DIRECTORS’ SERVICE CONTRACTS

No director 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’ INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies or subsidiaries was a party during the year.

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company and each of their respective associates, in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

#### Long position in ordinary shares of associated corporation – Oriental Explorer, a subsidiary of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,729,540,999*	64.06

\* The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

## REPORT OF THE DIRECTORS

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as of 31 December 2013, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations" above and in the share option scheme disclosures in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES

So far as was known to the Directors, as of 31 December 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in ordinary shares of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Power Resources Holdings Limited	Interest of controlled corporation	2,797,055,712*	66.91
Lucky Speculator Limited	Directly beneficially owned	2,195,424,000*	52.52
Desert Prince Limited	Directly beneficially owned	601,631,712*	14.39

\* *Power Resources Holdings Limited was deemed to have a beneficial interest in 2,797,055,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.*



## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2013, so far as was known to the Directors, no person, other than the Directors, whose interests are set out in the section “Directors’ and chief executive’s interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 35 to the financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public as of the date of this report.

### AUDITORS

The financial statements for the years ended 31 December 2012 and 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

The financial statements for the year ended 31 December 2011 was audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

ON BEHALF OF THE BOARD

**Lau Chi Yung, Kenneth**  
*Chairman*

Hong Kong  
25 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 a quality Board, sound internal control, transparency and accountability to all shareholders.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has applied the principles and complied with code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, save as disclosed below.

Under code provisions A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subjected to re-election; and (ii) all directors appointed to fill a causal vacancy should be subjected to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years.

Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting.

Mr. Lau Chi Yung, Kenneth, the chairman of the Board, attended the annual general meeting of the Company by phone conference, which was held on 30 May 2013 (the “2013 AGM”) as he had a business engagement. Mr. Tsui Ka Wah, the chairman of the remuneration committee of the Company, was elected the chairman of the 2013 AGM to ensure effective communication with shareholders of the Company at the meeting. The chairman of the audit committee of the Company, Mr. Wong Yim Sum, had also attended the 2013 AGM.

### BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of the Group’s business.

Currently, the Board comprise of two executive Directors and four independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group’s overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

## CORPORATE GOVERNANCE REPORT

Save as Mr. Lau Michael Kei Chi is the elder brother of Mr. Lau Chi Yung, Kenneth, the members of the Board have no financial, business, family or other material/relevant relationships with one another.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Consideration was given to the independence of Mr. Lee Siu Man, Ervin and Mr. Wong Yim Sum, who have served on the Board for more than 16 years and 9 years respectively.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The brief biography of the Directors are set out on page 6.

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2013, the attendance of individual Director to the Board meeting and general meeting is summarized below:

	Number of meetings attended/held	
	Board meetings	General meeting
<b>Executive Directors</b>		
Mr. Lau Chi Yung, Kenneth	16/16	1/1
Mr. Lau Michael Kei Chi	16/16	1/1
<b>Independent Non-executive Directors</b>		
Mr. Lee Siu Man, Ervin	13/13	1/1
Mr. Wong Yim Sum	13/13	1/1
Mr. Lo Yick Wing	13/13	1/1
Mr. Tsui Ka Wah	13/13	1/1

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

### BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in December 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee has set measurable objectives based on talents, skills, regional and industry experience, background, gender and other qualities to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.



## CORPORATE GOVERNANCE REPORT

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2013. The interests held by individual Directors in the Company's securities as of 31 December 2013 are set out in the "Report of the Directors" on pages 8 to 13.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance from the Finance Department, which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

### DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices.

A briefing session was organised for Directors in March 2013 to update the Directors on the interest rate and global economy. Also, briefings on the environmental, social and governance reporting guide, board diversity and directors' duties were given to the Directors.

During the year, according to the records provided by the Directors, a summary of training is as follows:

<b>Executive Directors</b>	<b>Type of continuous professional development programmes</b>
Mr. Lau Chi Yung, Kenneth	A, B
Mr. Lau Michael Kei Chi	A, B
<b>Independent Non-executive Directors</b>	
Mr. Lee Siu Man, Ervin	A, B
Mr. Wong Yim Sum	A, B
Mr. Lo Yick Wing	A, B
Mr. Tsui Ka Wah	A, B

*Notes:*

A: attending seminars and/or conferences and/or forums

B: reading newspapers, journals and updates relating to the economy, general business, real estate or director's duties and responsibilities, latest development of the Listing Rules and other applicable regulatory requirements

## CORPORATE GOVERNANCE REPORT

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Chi Yung, Kenneth serves as the Chairman of the Company, and the role of Chief Executive Officer of the Company is served by our Managing Director, Mr. Lau Michael Kei Chi. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Managing Director is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

### AUDIT COMMITTEE

The Company has established an audit committee in accordance with the Listing Rules. The audit committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the audit committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The audit committee should meet at least twice each year and when the need arises. Details of the attendance of audit committee meetings are as follows:

<b>Members</b>	<b>Number of meetings attended/held</b>
Mr. Wong Yim Sum ( <i>Chairman</i> )	4/4
Mr. Lee Siu Man, Ervin	4/4
Mr. Lo Yick Wing	4/4
Mr. Tsui Ka Wah	4/4

In the presence of the representatives of the Company's independent external auditors, the Group's draft audited consolidated financial statements for the year ended 31 December 2013 have been reviewed by the audit committee, and with recommendation to the Board for approval.

The accounts for the year ended 31 December 2013 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

### REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are to consider and recommend to the Board the Company's remuneration policy and structure and to review and determine the remuneration and compensation packages of the executive directors and senior management of the Company. The remuneration committee reviews and proposes the management's remuneration proposals with reference to considerations factors such as the Group's performance and profitability, directors' experience, responsibilities and time commitment, existing market environment, salaries paid by comparable companies, employment conditions elsewhere in the Group, and consider the reasonableness on remuneration based on performance.

## CORPORATE GOVERNANCE REPORT

The remuneration committee set up on 16 September 2005 comprises two executive Directors and four independent non-executive Directors. Details of the attendance of the committee are as follows:

<b>Members</b>	<b>Number of meetings attended/held</b>
Mr. Tsui Ka Wah ( <i>Chairman</i> )	1/1
Mr. Lau Chi Yung, Kenneth	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Wong Yim Sum	1/1
Mr. Lo Yick Wing	1/1

### NOMINATION COMMITTEE

The role of nomination committee set up on 28 March 2012 is to advise on and propose to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-third of the director (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election. Details of the attendance of the committee are as follows:

<b>Members</b>	<b>Number of meetings attended/held</b>
Mr. Lau Chi Yung, Kenneth ( <i>Chairman</i> )	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Wong Yim Sum	1/1
Mr. Lo Yick Wing	1/1
Mr. Tsui Ka Wah	1/1

The Nomination Committee periodically reviews the structure, size and composition of the Board, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties includes identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

Most nomination committee members are independent non-executive directors.

### REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out in note 9 to the financial statements.

### INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

## CORPORATE GOVERNANCE REPORT

### AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2013, the auditors of the Company received approximately HK\$650,000 for audit service, HK\$50,000 for the compilation of pro forma financial information as at 30 June 2013 in relation to the open offer of Oriental Explorer during 2013 and Nil for tax and consultancy services.

### COMPANY SECRETARY

As at 31 December 2013, the company secretary of the Company, Mr. Lau Kwok Yin fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2013. His biography is set out in the "Brief Biography of Directors and Senior Management" section of this annual report.

### SHAREHOLDERS' RIGHTS

#### Procedures for shareholders to convene a Special General Meeting (the "SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

#### Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong  
Email: [contact@multifield.com.hk](mailto:contact@multifield.com.hk)

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

#### Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's principal place of business in Hong Kong at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.



## CORPORATE GOVERNANCE REPORT

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

### **CONSTITUTIONAL DOCUMENTS**

There are no changes in the Company's constitutional documents during the year.

### **INVESTOR RELATIONS AND COMMUNICATION**

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

## INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

### To the shareholders of **Multifield International Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Multifield International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 90, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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, in accordance with Section 90 of the Companies Act of Bermuda, 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.



## INDEPENDENT AUDITORS' REPORT (CONT'D)

### **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.

### **HLB Hodgson Impey Cheng Limited**

*Certified Public Accountants*

### **Chan Ching Pang**

Practising Certificate Number: P05746

Hong Kong, 25 March 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>REVENUE</b>	5	<b>216,011</b>	282,610
Cost of sales		<b>(32,998)</b>	(35,429)
Gross profit		<b>183,013</b>	247,181
Other income and gains	5	<b>19,848</b>	18,162
Foreign exchange differences, net		<b>3,363</b>	(8,537)
Fair value gains on investment properties		<b>855,188</b>	433,032
Loss on disposal of investment properties		<b>(221)</b>	(1,126)
Operating and administrative expenses		<b>(52,341)</b>	(47,634)
Finance costs	7	<b>(23,087)</b>	(13,912)
<b>PROFIT BEFORE TAX</b>	6	<b>985,763</b>	627,166
Income tax (expense)/credit	10	<b>(81,400)</b>	2,883
<b>PROFIT FOR THE YEAR</b>		<b>904,363</b>	630,049
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		<b>5,267</b>	53,278
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal		<b>(737)</b>	(619)
Exchange differences on translation of foreign operations		<b>4,530</b>	52,659
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		<b>124,732</b>	119,862
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>124,732</b>	119,862
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,029,095</b>	749,911
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company	11	<b>710,464</b>	535,554
Non-controlling interests		<b>193,899</b>	94,495
		<b>904,363</b>	630,049
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>793,269</b>	614,391
Non-controlling interests		<b>235,826</b>	135,520
		<b>1,029,095</b>	749,911
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	13	<b>HK17.00 cents</b>	HK12.81 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	358,154	297,496
Investment properties	16	6,272,065	5,249,190
Prepaid land lease payments	17	416	425
Club debenture		670	670
Available-for-sale investments	18	3,789	3,789
Total non-current assets		<u>6,635,094</u>	<u>5,551,570</u>
<b>CURRENT ASSETS</b>			
Properties held for sale	19	281,851	281,851
Trade receivables	20	8,207	7,144
Prepayments, deposits and other receivables	21	49,164	984
Available-for-sale investments	18	264,521	266,263
Equity investments at fair value through profit or loss	22	623,993	211,120
Pledged deposits	23	10,888	77,536
Cash and cash equivalents	23	181,624	206,874
Total current assets		<u>1,420,248</u>	<u>1,051,772</u>
<b>TOTAL ASSETS</b>		<u>8,055,342</u>	<u>6,603,342</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	24	2,656	605
Other payables and accruals	25	296,427	271,289
Deposits received		57,752	55,605
Interest-bearing bank and other borrowings	26	1,254,209	922,023
Tax payable		29,144	26,340
Total current liabilities		<u>1,640,188</u>	<u>1,275,862</u>
<b>NET CURRENT LIABILITIES</b>		<u>(219,940)</u>	<u>(224,090)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,415,154</u>	<u>5,327,480</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a director	27	1,498	2,454
Deferred tax liabilities	28	691,138	607,008
Total non-current liabilities		692,636	609,462
Net assets		5,722,518	4,718,018
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Issued capital	29	41,804	41,804
Reserves	31	4,374,847	3,569,085
Proposed final dividend	12	29,263	27,172
Non-controlling interests		4,445,914	3,638,061
Total equity		1,276,604	1,079,957
		5,722,518	4,718,018

Lau Chi Yung, Kenneth  
Chairman

Lau Michael Kei Chi  
Vice-Chairman

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the Company								
	Issued capital HK\$'000 (Note 29)	Share premium HK\$'000	Contributed surplus HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012	41,804	39,116	293,372	(15,508)	539,455	2,142,152	20,902	948,037	4,009,330
Total comprehensive income for the year	-	-	-	33,961	44,876	535,554	-	135,520	749,911
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(3,600)	(3,600)
Final 2011 dividend declared	-	-	-	-	-	-	(20,902)	-	(20,902)
Interim 2012 dividend	-	-	-	-	-	(16,721)	-	-	(16,721)
Proposed final 2012 dividend	-	-	-	-	-	(27,172)	27,172	-	-
At 31 December 2012	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>18,453*</u>	<u>584,331*</u>	<u>2,633,813*</u>	<u>27,172</u>	<u>1,079,957</u>	<u>4,718,018</u>
At 1 January 2013	<b>41,804</b>	<b>39,116</b>	<b>293,372</b>	<b>18,453</b>	<b>584,331</b>	<b>2,633,813</b>	<b>27,172</b>	<b>1,079,957</b>	<b>4,718,018</b>
Total comprehensive income for the year	-	-	-	2,624	80,181	710,464	-	235,826	1,029,095
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(3,000)	(3,000)
Final 2012 dividend declared	-	-	-	-	-	-	(27,172)	-	(27,172)
Interim 2013 dividend	-	-	-	-	-	(20,902)	-	-	(20,902)
Proposed final 2013 dividend	-	-	-	-	-	(29,263)	29,263	-	-
Acquisition of non-controlling interests	-	-	-	-	-	62,658	-	(36,179)	26,479
At 31 December 2013	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>21,077*</u>	<u>664,512*</u>	<u>3,356,770*</u>	<u>29,263</u>	<u>1,276,604</u>	<u>5,722,518</u>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$4,374,847,000 (2012: HK\$3,569,085,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Net cash flows (used in)/from operating activities	32	<u>(303,148)</u>	<u>208,195</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(55,853)	(882)
Purchases of investment properties		(35,185)	(257)
Purchases of available-for-sale investments		–	(1,895)
Decrease/(increase) in pledged deposits		66,648	(59,552)
Proceeds from disposal of items of property, plant and equipment		3,546	3,258
Proceeds from disposal of investment properties		5,076	4,476
Proceeds from disposal of available-for-sale investments		7,009	22,946
Interest received		2,231	2,588
Net cash flows used in investing activities		<u>(6,528)</u>	<u>(29,318)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New interest-bearing borrowings		260,000	100,000
Repayment of interest-bearing borrowings		(86,134)	(81,382)
Net change in short-term revolving loans		158,320	(99,346)
Decrease in amount due to a director		(956)	(2,981)
Dividends paid to non-controlling shareholders		(3,000)	(3,600)
Contribution from non-controlling interests		26,479	–
Interest paid		(23,087)	(13,912)
Dividends paid		(48,074)	(37,623)
Net cash flows from/(used in) financing activities		<u>283,548</u>	<u>(138,844)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(26,128)</b>	<b>40,033</b>
Cash and cash equivalents at beginning of year		206,874	154,430
Effect of foreign exchange rate changes, net		878	12,411
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b><u>181,624</u></b>	<b><u>206,874</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	160,234	157,611
Non-pledged deposits with original maturity of less than three months when acquired	23	21,390	49,263
		<b><u>181,624</u></b>	<b><u>206,874</u></b>

## STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	14	<u>656,622</u>	<u>656,622</u>
<b>CURRENT ASSETS</b>			
Amounts due from subsidiaries	14	<b>399,056</b>	378,056
Prepayments, deposits and other receivables		<b>631</b>	631
Tax recoverable		<b>161</b>	–
Cash and cash equivalents		<u><b>105</b></u>	<u>171</u>
Total current assets		<u><b>399,953</b></u>	<u>378,858</u>
<b>TOTAL ASSETS</b>		<u><b>1,056,575</b></u>	<u>1,035,480</u>
<b>CURRENT LIABILITIES</b>			
Amounts due to subsidiaries	14	<b>74,635</b>	26,272
Other payables and accruals	25	<u><b>38</b></u>	<u>33</u>
Total current liabilities		<u><b>74,673</b></u>	<u>26,305</u>
<b>NET CURRENT ASSETS</b>		<u><b>325,280</b></u>	<u>352,553</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u><b>981,902</b></u></u>	<u><u>1,009,175</u></u>
<b>EQUITY</b>			
Issued capital	29	<b>41,804</b>	41,804
Reserves	31	<b>910,835</b>	940,199
Proposed final dividend	12	<u><b>29,263</b></u>	<u>27,172</u>
Total equity		<u><u><b>981,902</b></u></u>	<u><u>1,009,175</u></u>

**Lau Chi Yung, Kenneth**  
Chairman

**Lau Michael Kei Chi**  
Vice-Chairman

## 1. CORPORATE INFORMATION

Multifield International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company is located at Units 22-28, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries were involved in the following principal activities:

- property investment;
- provision of serviced apartment and property management services; and
- trading of securities and investment holding.

In the opinion of the directors, the holding company of the Company is Lucky Speculator Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

## 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 and certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

### Going concern

The Group had net current liabilities of approximately HK\$219,940,000 at the end of the reporting period. Notwithstanding the above, the directors of the Company have prepared the financial statements on the going concern basis on the assumption that the Group will continue to operate as a going concern for the foreseeable future as Power Resources Holdings Limited has confirmed to provide necessary funds to the Group so as to enable the Group to discharge its obligations as and when they fall due.

**2.1 BASIS OF PREPARATION** *(continued)*

## 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.

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

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> 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.

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.



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

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 investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

## Fair value measurement

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

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

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

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.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

## Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), 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 in those expense categories consistent with the function of the impaired asset.

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 (*only if there are revalued assets in the financial statements*), 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:

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Plant and machinery	10% – 20%
Furniture, fixtures and office equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %

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.

## Properties under development

Properties in the course of development are classified as non-current assets and are stated at cost less accumulated impairment loss. Cost comprises acquisition cost relating to the leasehold interests in lands and direct development costs attributable to such properties. Interests in lands are amortised over the expected useful life and are included as part of cost of properties under development.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

## 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.

## Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

## Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms. Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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, or as derivatives designated as hedging instruments in an effective hedge, 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.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, and quoted and unquoted financial instruments, and derivative financial instruments.

*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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue 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 at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

**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 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 investments*

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 at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

When the fair value of unlisted equity investments 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)***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 assets. 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.

**Impairment of financial assets**

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

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



**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)**Impairment of financial assets (continued)**Financial assets carried at amortised cost(continued)*

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

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

*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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

*Available-for-sale financial investments*

For available-for-sale financial investments, 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.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

**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, amount due to a director, and interest-bearing loans and borrowings.

*Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition 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.

*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.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Derecognition of financial liabilities**

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

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

**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.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis.

**Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contract, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

None of the derivative financial instruments held by the Group qualifies for hedge accounting.

**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.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

## 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.

## 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 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.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)**Income tax (continued)*

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

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

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

*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) interest income, on 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;
- (b) dividend income, when the shareholders' right to receive payment has been established;
- (c) government grants, subsidies from the relevant People's Republic of China (the "PRC") government authorities, in the form of return of income tax, value added tax not associating with the purchase of property, plant and equipment and various taxes, as an incentive for the investments in various cities in the PRC are recognised in the consolidated statement of profit or loss when relevant approval has been obtained;
- (d) rental income from property letting, in the period in which the properties are let and on a time proportion basis over the lease terms; and
- (e) income from the sale of equity investments and debt securities, on the trade date.

*Employee benefits**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 an external valuer using an appropriate option pricing model.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Employee benefits *(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/or 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 employees benefit

*Retirement benefit scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. 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.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain 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.

*Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Employee benefits (continued)

Other employees benefit (continued)

*Employment Ordinance long service payments* (continued)

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the end of the reporting period.

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 of association and Bye-Laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 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.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)**Foreign currencies (continued)*

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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

*Judgements*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Operating lease commitments – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

*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*

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.

*Fair values of financial instruments*

Financial instruments such as equity and debt are carried at the statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

*Impairment of receivables*

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the estimation at the end of each reporting period.

*Impairment of available-for-sale financial assets*

The Group classifies certain assets as available for sale 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. The carrying amount of available-for-sale assets was approximately HK\$268,310,000 (2012: HK\$270,052,000). Further details are included in note 18 to the financial statements.

*Estimation of fair value of investment properties*

As described in note 16, the investment properties were revalued at the end of the reporting period on market value existing use basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

*Income tax*

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company 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 changes in tax legislation.

**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has four (2012: four) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the provision of serviced apartment and property management services segment;
- (c) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding; and
- (d) the corporate and others segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax from operations except that interest income from loans and receivables, fair value gains on investment properties, finance costs and other gains are excluded from such measurement.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to a director, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2012: Nil).

Years ended 31 December 2013 and 2012

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Corporate and others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Sales to external customers	<u>193,514</u>	<u>187,356</u>	<u>19,932</u>	<u>22,615</u>	<u>2,565</u>	<u>72,639</u>	<u>-</u>	<u>-</u>	<u>216,011</u>	<u>282,610</u>
<b>Segment results</b>	<u>150,989</u>	<u>100,698</u>	<u>(13,678)</u>	<u>(23,470)</u>	<u>9,757</u>	<u>70,038</u>	<u>(13,254)</u>	<u>42,618</u>	<u>133,814</u>	<u>189,884</u>
<i>Reconciliation:</i>										
Interest income from loans and receivables									2,231	2,588
Fair value gains on investment properties	855,188	433,032	-	-	-	-	-	-	855,188	433,032
Other gains									17,617	15,574
Finance costs									(23,087)	(13,912)
Profit before tax									<u>985,763</u>	<u>627,166</u>

**4. OPERATING SEGMENT INFORMATION** (continued)

Years ended 31 December 2013 and 2012

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Corporate and others		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	6,507,528	5,568,935	87,046	117,002	927,074	560,537	533,694	356,868	8,055,342	6,603,342
Total assets									8,055,342	6,603,342
Segment liabilities	207,688	177,082	3,920	7,781	365	86	27,240	7,158	239,213	192,107
<i>Reconciliation:</i> Unallocated liabilities									2,093,611	1,693,217
Total liabilities									2,332,824	1,885,324
<b>Other segment information:</b>										
Depreciation and amortisation	2,894	1,385	324	747	147	-	77	484	3,442	2,616
Change in fair value of investment properties	855,188	433,032	-	-	-	-	-	-	855,188	433,032
Impairment loss recognised in the statement of profit or loss and other comprehensive income	-	13,210	3	3	-	-	-	-	3	13,213
Capital expenditure*	88,222	4,680	2,669	43	-	-	147	-	91,038	4,723

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

## Geographical information

(a)	Hong Kong		Mainland China		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from sales to external customers	59,856	122,183	156,155	160,427	216,011	282,610

The revenue information above is based on the location of the customers. No customer accounted for 10% or more of the total revenue for the years ended 31 December 2013 and 2012.

(b)	Hong Kong		Mainland China		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	2,218,609	1,670,107	4,412,026	3,877,004	6,630,635	5,547,111

The non-current asset information above is based on the location of assets and excludes financial instruments.

**5. REVENUE, OTHER INCOME AND GAINS**

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

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Rental income from property letting	<b>194,777</b>	187,356
Serviced apartment and property management	<b>19,932</b>	22,615
Fair value (losses)/gains on equity investments at fair value through profit or loss	<b>(45,948)</b>	39,090
Dividend income from listed investments	<b>25,608</b>	8,517
Interest income from available-for-sale investments	<b>21,642</b>	25,032
	<u><b>216,011</b></u>	<u>282,610</u>
<b>Other income and gains</b>		
Interest income from loans and receivables	<b>2,231</b>	2,588
Gain on disposal of items of property, plant and equipment	<b>3,299</b>	2,904
Fair value gains on available-for-sale investments (transfer from equity on disposal)	<b>737</b>	619
Others	<b>13,581</b>	12,051
	<u><b>19,848</b></u>	<u>18,162</u>

**6. PROFIT BEFORE TAX**

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

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Cost of services provided	<b>32,998</b>	35,429
Depreciation	<b>3,433</b>	2,607
Amortisation of prepaid land lease payments	<b>9</b>	9
Minimum lease payments under operating leases for land and buildings	<b>273</b>	173
Auditors' remuneration	<b>650</b>	650
Impairment of trade receivables*	<b>3</b>	3
Impairment loss recognised in respect of property, plant and equipment*	–	13,210
Loss on disposal of investment properties	<b>221</b>	1,126
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<b>16,046</b>	14,970
Foreign exchange differences, net	<b>(3,363)</b>	8,537
Employee benefits expense (including directors' and chief executive's remuneration (Note 8)):		
Salaries, wages and other benefits	<b>22,280</b>	19,068
Pension scheme contributions (defined contribution scheme) (Note)	<b>202</b>	210
	<b>22,482</b>	19,278

\* Included in "Operating and administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

Note:

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

**7. FINANCE COSTS**

An analysis of finance costs is as follows:

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>23,087</b>	13,912

**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Fees	<b>576</b>	552
Other emoluments:		
Salaries, allowances and benefits in kind	4,550	4,550
Pension scheme contributions	<b>30</b>	28
	<b>4,580</b>	4,578
	<b>5,156</b>	5,130

## (a) Independent non-executive directors

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

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Mr. Lee Siu Man, Ervin	144	138
Mr. Wong Yim Sum	144	138
Mr. Lo Yick Wing	144	138
Mr. Tsui Ka Wah	<b>144</b>	138
	<b>576</b>	552

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

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

(b) Executive directors and the chief executive

	Fees		Salaries, allowances and benefits in kind		Pension scheme contributions		Total remuneration	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Lau Chi Yung, Kenneth	-	-	2,600	2,600	15	14	2,615	2,614
Mr. Lau Michael Kei Chi (chief executive)	-	-	1,950	1,950	15	14	1,965	1,964
	<u>-</u>	<u>-</u>	<u>4,550</u>	<u>4,550</u>	<u>30</u>	<u>28</u>	<u>4,580</u>	<u>4,578</u>

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included two (2012: two) directors, of which one is the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2012: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Salaries, allowances and benefits in kind	1,453	1,303
Pension scheme contributions	44	39
	<u>1,497</u>	<u>1,342</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

**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 in Mainland China have been calculated at the rates of tax prevailing in Mainland China, in which the Group operates.

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong		
Charge for the year	2,489	2,131
Underprovision in prior years	122	–
Current tax – Mainland China		
Charge for the year	16,336	14,567
Deferred tax ( <i>Note 28</i> )	<u>62,453</u>	<u>(19,581)</u>
Total tax charge/(credit) for the year	<u><b>81,400</b></u>	<u><b>(2,883)</b></u>

A reconciliation of the tax expense/(credit) applicable to profit before tax at the applicable rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group – 2013

	<b>Hong Kong</b>	<b>Elsewhere in</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>the PRC</b>	<b>HK\$'000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before tax	<u>511,946</u>	<u>473,817</u>	<u>985,763</u>
Tax at the applicable tax rate	83,316	120,204	203,520
Lower tax rate for specific provinces or enacted by local authority	–	(106,457)	(106,457)
Adjustments in respect of current tax of previous periods	122	–	122
Income not subject to tax	(88,034)	(1,902)	(89,936)
Expenses not deductible for tax	9,619	4,492	14,111
Tax losses not recognised	1,008	–	1,008
Tax losses utilised from previous periods	(1,453)	–	(1,453)
Effect of PRC land appreciation tax	–	60,663	60,663
Others	<u>(178)</u>	<u>–</u>	<u>(178)</u>
Tax charge at the Group's effective rate	<u><b>4,400</b></u>	<u><b>77,000</b></u>	<u><b>81,400</b></u>



**10. INCOME TAX** (continued)

Group – 2012

	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	Total HK\$'000
Profit before tax	<u>598,366</u>	<u>28,800</u>	<u>627,166</u>
Tax at the applicable tax rate	98,573	7,200	105,773
Lower tax rate for specific provinces or enacted by local authority	–	(2,183)	(2,183)
Income not subject to tax	(96,363)	(14,342)	(110,705)
Expenses not deductible for tax	1,426	23,892	25,318
Tax losses not recognised	1,968	–	1,968
Tax losses utilised from previous periods	(1,528)	–	(1,528)
Effect of PRC land appreciation tax	–	(21,393)	(21,393)
Others	<u>(133)</u>	<u>–</u>	<u>(133)</u>
Tax charge/(credit) at the Group's effective rate	<u>3,943</u>	<u>(6,826)</u>	<u>(2,883)</u>

**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 profit of approximately HK\$20,801,000 (2012: HK\$28,336,000) which has been dealt with in the financial statements of the Company (Note 31(b)).

**12. DIVIDENDS**

	2013 HK\$'000	2012 HK\$'000
Interim dividend – HK0.5 cents (2012: HK0.4 cents) per ordinary share	<b>20,902</b>	16,721
Proposed final dividend – HK0.7 cents (2012: HK0.65 cents) per ordinary share	<u><b>29,263</b></u>	<u>27,172</u>
	<u><b>50,165</b></u>	<u>43,893</u>

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 30 May 2014, dividend warrants will be posted on or about 18 June 2014 to shareholders whose names appear on the register of members of the Company on 6 June 2014.

**13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$710,464,000 (2012: HK\$535,554,000) and the weighted average number of ordinary shares of 4,180,371,092 (2012: 4,180,371,092) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>656,622</b>	<b>656,622</b>

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company %	Principal activities
Call Rich Investments Limited	British Virgin Islands	US\$50,000	61.04 (Note (ii))	Investment holding
Chater Land Limited	Hong Kong	HK\$1	62.53 (Note (iv))	Property investment
Charter Million Investment Limited	Hong Kong/PRC	HK\$2	63.20	Property investment
Conrad Shipping Limited	Hong Kong	HK\$1	100	Property investment
Ernesto Investments Limited	British Virgin Islands	US\$1	62.53 (Note (iv))	Investment holding
Ever Ford Development Limited	Hong Kong/PRC	HK\$10,000	62.53 (Note (iv))	Property investment
Fexlink Limited	Hong Kong	HK\$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding
Fortune Text Holdings Limited	Hong Kong/PRC	HK\$2	63.20	Property investment
Gain Power Consultants Limited	Hong Kong	HK\$1	62.53 (Note (iv))	Property investment
Godfrey Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/ PRC	US\$50,000	46.62 (Notes (i) & (iii))	Property investment
Goodrich Properties Limited	Hong Kong	HK\$2	100	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment
Head Wonder International Limited	British Virgin Islands	US\$10,000	63.20	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	46.62 (Notes (i) & (iii))	Investment holding

**14. INVESTMENTS IN SUBSIDIARIES** (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company %	Principal activities
Kiuson Development (Shanghai) Ltd. (Note (v))	PRC	US\$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	64.06	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	64.06	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	64.06	Provision of management services
Linkful Properties Company Limited	Hong Kong/PRC	HK\$2	64.06	Investment holding and property investment
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	64.06	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding
Mark Rich Limited	Hong Kong	HK\$10,000	62.53 (Note (iv))	Property investment
Maxlord Limited	Hong Kong	HK\$10,000	100	Property investment
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. (Note (vi))	PRC	US\$200,000	100	Provision of property management and administration services
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding

## 14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company %	Principal activities
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Properties Limited	Hong Kong	HK\$9,000	100	Investment holding and property investment
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
New Luck Management Limited	Hong Kong	HK\$1	62.53 (Note (iv))	Property investment
Nichiyu Consultants Limited	British Virgin Islands	US\$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK\$27,000,000	64.06	Investment holding
Power Earning Limited	Hong Kong	HK\$1	64.06	Property investment
Prince Properties Limited	Hong Kong	HK\$10,000	100	Investment holding
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US\$100	62.53 (Note (iv))	Investment holding
Richwell Properties Limited	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000	100	Property investment
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	66.7	Investment holding

**14. INVESTMENTS IN SUBSIDIARIES** (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company %	Principal activities
Snowdon Worldwide Limited	British Virgin Islands	US\$1	64.06	Investment holding
Tellink Development Limited	Hong Kong	HK\$100	100	Property investment
Triple Luck Investments Limited	British Virgin Islands	US\$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US\$1	100	Property investment
Win Channel Enterprises Limited	Hong Kong	HK\$2	66.7	Property investment
Windsor Property Management (Shanghai) Co., Ltd. (Note (v))	PRC	US\$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. (Note (v))	PRC	US\$140,000	100	Provision of property management services
Winner Strong Limited	Hong Kong	HK\$100	100	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100	Property investment
Wise Success Limited	Hong Kong	HK\$100	100	Property investment
珠海市世紀西海房地產投資有限公司 (Note (vi))	PRC	RMB10,000,000	100	Property development
珠海萬事昌酒店有限公司 (Note (v))	PRC	US\$20,000,000	100	Property development
珠海市港豐商務服務有限公司 (Note (v))	PRC	HK\$120,000	100	Provision of property consultant services

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

*Notes:*

- (i) These companies are subsidiaries of non wholly-owned subsidiaries of the Company and accordingly are accounted for as subsidiaries by virtue of the Company's control over the entities.
- (ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 16.04% by virtue of the Group's 64.06% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.
- (iii) The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 9.62% by virtue of the Group's 64.06% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.

**14. INVESTMENTS IN SUBSIDIARIES** (continued)

Notes: (continued)

- (iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 11.53% by virtue of the Group's 64.06% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.
- (v) These subsidiaries are registered as wholly-foreign owned enterprises under the PRC law.
- (vi) This subsidiary is a limited liability company established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The following table lists the information relating to Rich Returns Limited ("Rich Returns"), the subsidiary of the Group which has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company eliminations.

	<b>2013</b>	2012
Percentage of equity interest held by non-controlling interests of Rich Returns	<u><b>37.47%</b></u>	<u>37.98%</u>
	<b>2013</b>	2012
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year allocated to non-controlling interests of Rich Returns	<u><b>160,002</b></u>	<u>46,175</u>
Accumulated balances of non-controlling interests of Rich Returns at the reporting dates	<u><b>979,098</b></u>	<u>802,799</u>

**14. INVESTMENTS IN SUBSIDIARIES** (continued)

The following table illustrates the summarised financial information of Rich Returns. The amounts disclosed are before any inter-company eliminations:

<b>Rich Returns</b>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	95,486	91,562
Total expenses	(38,468)	(26,151)
Profit for the year	421,281	121,576
Total comprehensive income for the year	<u>499,276</u>	<u>183,660</u>
Current assets	946,953	740,587
Non-current assets	3,104,460	2,488,400
Current liabilities	(1,078,896)	(821,510)
Non-current liabilities	<u>(359,500)</u>	<u>(293,736)</u>
Net cash flows used in operating activities	(336,974)	(7,643)
Net cash flows (used in)/from investing activities	(84,387)	3,666
Net cash flows from financing activities	388,605	37,686
Effect of foreign exchange rate changes, net	<u>3,066</u>	<u>5,737</u>
Net (decrease)/increase in cash and cash equivalents	<u>(29,690)</u>	<u>39,446</u>

**15. PROPERTY, PLANT AND EQUIPMENT**

Group

	Properties under development <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>31 December 2013</b>						
At 31 December 2012 and at 1 January 2013						
Cost	353,952	746	2,624	23,759	17,823	398,904
Accumulated depreciation and impairment	<u>(60,477)</u>	<u>(634)</u>	<u>(2,624)</u>	<u>(22,522)</u>	<u>(15,151)</u>	<u>(101,408)</u>
Net carrying amount	<u><u>293,475</u></u>	<u><u>112</u></u>	<u><u>–</u></u>	<u><u>1,237</u></u>	<u><u>2,672</u></u>	<u><u>297,496</u></u>
At 1 January 2013, net of accumulated depreciation and impairment						
	293,475	112	–	1,237	2,672	297,496
Additions	164	49,098	–	2,676	3,915	55,853
Depreciation provided during the year	–	(1,265)	–	(972)	(1,196)	(3,433)
Disposals	–	–	–	(10)	(237)	(247)
Exchange realignment	<u>8,255</u>	<u>–</u>	<u>–</u>	<u>195</u>	<u>35</u>	<u>8,485</u>
At 31 December 2013, net of accumulated depreciation and impairment	<u><u>301,894</u></u>	<u><u>47,945</u></u>	<u><u>–</u></u>	<u><u>3,126</u></u>	<u><u>5,189</u></u>	<u><u>358,154</u></u>
At 31 December 2013						
Cost	362,371	49,844	2,624	21,167	18,574	454,580
Accumulated depreciation and impairment	<u>(60,477)</u>	<u>(1,899)</u>	<u>(2,624)</u>	<u>(18,041)</u>	<u>(13,385)</u>	<u>(96,426)</u>
Net carrying amount	<u><u>301,894</u></u>	<u><u>47,945</u></u>	<u><u>–</u></u>	<u><u>3,126</u></u>	<u><u>5,189</u></u>	<u><u>358,154</u></u>



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

Group

	Properties under development HK\$'000	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
31 December 2012							
At 1 January 2012							
Cost	349,969	746	2,619	26,112	17,417	752	397,615
Accumulated depreciation and impairment	(47,267)	(596)	(2,619)	(23,773)	(13,773)	(752)	(88,780)
Net carrying amount	<u>302,702</u>	<u>150</u>	<u>-</u>	<u>2,339</u>	<u>3,644</u>	<u>-</u>	<u>308,835</u>
At 1 January 2012, net of accumulated depreciation and impairment	302,702	150	-	2,339	3,644	-	308,835
Additions	73	-	-	485	324	-	882
Depreciation provided during the year	-	(38)	-	(1,252)	(1,317)	-	(2,607)
Impairment	(13,210)	-	-	-	-	-	(13,210)
Disposals	-	-	-	(354)	-	-	(354)
Exchange realignment	3,910	-	-	19	21	-	3,950
At 31 December 2012, net of accumulated depreciation and impairment	<u>293,475</u>	<u>112</u>	<u>-</u>	<u>1,237</u>	<u>2,672</u>	<u>-</u>	<u>297,496</u>
At 31 December 2012							
Cost	353,952	746	2,624	23,759	17,823	-	398,904
Accumulated depreciation and impairment	(60,477)	(634)	(2,624)	(22,522)	(15,151)	-	(101,408)
Net carrying amount	<u>293,475</u>	<u>112</u>	<u>-</u>	<u>1,237</u>	<u>2,672</u>	<u>-</u>	<u>297,496</u>

Note: Included in properties under development are interests in two pieces of land situated in the PRC and are held under medium term leases.

**Impairment loss**

At the end of the reporting period, the Group tests whether the carrying values of properties under development have suffered any impairment in accordance with the accounting policy on impairment of non-financial assets (Note 2.4). The Group assessed the recoverable amounts of two pieces of land classified as properties under development and as a result their carrying amounts were written down by approximately HK\$13,210,000, (included in "Operating and administrative expenses") at 31 December 2012. There was no further impairment for the year ended 31 December 2013, the estimates of recoverable amounts were based on the assets' fair values less costs to sell, determined by reference to a professional valuation performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers.

**16. INVESTMENT PROPERTIES**

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Carrying amount at 1 January	5,249,190	4,751,367
Additions	35,185	3,841
Disposals	(5,297)	(5,602)
Fair value gains	855,188	433,032
Exchange realignment	137,799	66,552
	<u>6,272,065</u>	<u>5,249,190</u>
Carrying amount at 31 December	<u><b>6,272,065</b></u>	<u>5,249,190</u>

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

	Hong Kong	Elsewhere in the PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Long term leases	1,015,500	4,105,880	5,121,380
Medium term leases	1,150,685	-	1,150,685
	<u>2,166,185</u>	<u>4,105,880</u>	<u>6,272,065</u>

The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., car parking spaces, commercial properties, residential properties and industrial properties, based on the nature, characteristics and risks of each property.

The fair value of the Group's investment properties situated in Hong Kong and the PRC at 31 December 2013 had been arrived at based on a valuation carried out on that date by Roma Appraisals Limited, independent professionally qualified valuers not connected to the Group.

The fair value of the Group's investment properties were revalued on 31 December 2013 carried out by Roma Appraisals Limited were determined based on direct comparison method assuming sales of each property interests in their existing status and making reference to comparable market observable transactions of similar properties in the same locations and conditions as available in the relevant market.

Management reviews the valuation performed by the independent valuer for financial reporting purposes on a yearly basis. The review includes verification of all major inputs to the valuation, assessing property valuation movements and discussions with the independent valuer. Management considers that the current use of the investment properties equates the highest and best use.

**16. INVESTMENT PROPERTIES** (continued)

The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 34 to the financial statements.

At 31 December 2013, certain of the Group's investment properties with an aggregate carrying amount of approximately HK\$4,181,200,000 (2012: HK3,813,150,000) were pledged to secure general banking facilities granted to the Group (Note 26).

Further particulars of the Group's investment properties are included on pages 91 to 96.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties at 31 December 2013:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Car parking spaces	–	356,750	–	356,750
Commercial properties	–	680,985	–	680,985
Residential properties	–	4,264,430	–	4,264,430
Industrial properties	–	969,900	–	969,900
	–	6,272,065	–	6,272,065

During the year, there was no transfers between Level 1 and Level 2 and no transfers into or out of Level 3.

**17. PREPAID LAND LEASE PAYMENTS**

	Group	
	2013 HK\$'000	2012 HK\$'000
Carrying amount at 1 January	425	434
Recognised during the year	(9)	(9)
Carrying amount at 31 December	416	425

The leasehold land is held under a long term lease and is situated in the PRC.

**18. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>		
Unlisted equity investments, at cost	<b>11,589</b>	11,589
Provision for impairment	<b>(7,800)</b>	(7,800)
	<u><b>3,789</b></u>	<u>3,789</u>
<b>Current assets</b>		
Listed debt investments, at fair value	<u><b>264,521</b></u>	<u>266,263</u>
	<u><b>268,310</b></u>	<u>270,052</u>

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK\$4,530,000 (2012: HK\$52,659,000), of which approximately HK\$737,000 (2012: HK\$619,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

At 31 December 2013, the Group's listed debt investments with a carrying value of approximately HK\$264,521,000 (2012: HK\$234,529,000) were pledged as security for the Group's short term loans, further details of which are disclosed in note 26 to the financial statements.

The Group does not intend to dispose its unlisted equity investments with a carrying value of approximately HK\$3,789,000 (2012: HK\$3,789,000) in the near future.

**19. PROPERTIES HELD FOR SALE**

The properties held for sale are stated at the lower of cost and net realisable value, and are held under medium term leases in Hong Kong.

**20. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Trade receivables	<b>13,996</b>	12,930
Provision for impairment	<b>(5,789)</b>	(5,786)
	<u><b>8,207</b></u>	<u>7,144</u>

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

An aged analysis of trade receivables at the end of the reporting period, based on the invoice dates and net of provisions, is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>2,248</b>	1,445
1 to 2 months	<b>780</b>	252
2 to 3 months	<b>40</b>	333
Over 3 months	<b>5,139</b>	5,114
	<u><b>8,207</b></u>	<u>7,144</u>

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

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>5,786</b>	5,855
Impairment losses recognised (Note 6)	<b>3</b>	3
Amount written off as uncollectible	<b>-</b>	(72)
At 31 December	<u><b>5,789</b></u>	<u>5,786</u>

**20. TRADE RECEIVABLES** (continued)

At 31 December 2013, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK\$5,789,000 (2012: HK\$5,786,000) with a carrying amount before provision of approximately HK\$5,789,000 (2012: HK\$5,786,000). The individually impaired trade receivables relate to customers that were in default of payments.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Neither past due nor impaired	2,248	1,445
Less than 1 month past due	780	252
1 to 3 months past due	40	389
Over 3 months past due	5,139	5,058
	<u>8,207</u>	<u>7,144</u>

Receivables that were neither past due nor impaired relate to a 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. 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.

**21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Prepayments	1,550	–
Deposits	5,510	984
Other receivables	42,104	–
	<u>49,164</u>	<u>984</u>

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

**22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Listed equity investments, at market value		
Hong Kong	<b>569,811</b>	180,562
Elsewhere	<b>54,182</b>	30,558
	<u><b>623,993</b></u>	<u>211,120</u>

The above equity investments at 31 December 2013 and 2012 were classified as held for trading. At 31 December 2013, the Group's certain listed equity investments with an aggregate carrying amount of approximately HK\$596,235,000 (2012: HK\$190,088,000) were pledged to secure the Group's short term loans, as further detailed in note 26 to the financial statements.

**23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Cash and bank balances	<b>160,234</b>	157,611
Time deposits	<b>32,278</b>	126,799
	<u><b>192,512</b></u>	<u>284,410</u>
Less: Pledged deposits	<b>(10,888)</b>	(77,536)
Cash and cash equivalents	<u><b>181,624</b></u>	<u>206,874</u>

The deposits of approximately HK\$10,888,000 (2012: HK\$77,536,000) were pledged as security for banking facilities granted.

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$71,762,000 (2012: HK\$120,363,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits 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.

**24. TRADE PAYABLES**

An aged analysis of trade payables at the end of the reporting period, based on the invoice dates, is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>1,865</b>	227
1 to 2 months	<b>496</b>	56
2 to 3 months	<b>28</b>	40
Over 3 months	<b>267</b>	282
	<u><b>2,656</b></u>	<u>605</u>

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

**25. OTHER PAYABLES AND ACCRUALS**

Other payables are non-interest-bearing and repayable on demand.

Included in the Group's other payables and accruals at 31 December 2013 is deferred consideration payable of approximately HK\$85,422,000 (2012: HK\$82,247,000) in respect of acquisition of a subsidiary.



**26. INTEREST-BEARING BANK AND OTHER BORROWINGS**

	<b>Group</b>					
	2013			2012		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
<b>Current liabilities</b>						
Secured bank loans denominated in Hong Kong dollars	<b>HIBOR plus a range of 0.7 to 2</b>	<b>2014-2021 or on demand</b>	<b>914,568</b>	HIBOR plus a range of 0.65 to 2	2013-2021 or on demand	740,702
Secured short term loans denominated in Euro	<b>0.9</b>	<b>2014</b>	<b>147</b>	–	–	–
Secured short term loans denominated in Hong Kong dollars	<b>0.77</b>	<b>2014</b>	<b>286,636</b>	–	–	–
Secured short term loans denominated in Japanese Yen	–	–	–	1.24	2013	23,365
Secured short term loans denominated in United States dollars	<b>0.83</b>	<b>2014</b>	<b>52,858</b>	1.29	2013	157,956
			<b><u>1,254,209</u></b>			<b><u>922,023</u></b>

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

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on demand clause are as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	<b>264,262</b>	86,095
In the second year	<b>79,411</b>	114,245
In the third to fifth years, inclusive	<b>549,594</b>	208,740
Beyond five years	<b>21,301</b>	331,622
	<b>914,568</b>	740,702
Other borrowings repayable within one year	<b>339,641</b>	181,321
	<b>1,254,209</b>	922,023

The Group's bank loans are secured by:

- (i) mortgages over the Group's certain investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$4,181,200,000 (2012: HK\$3,813,150,000);
- (ii) personal guarantees given by certain directors of the Company and its subsidiaries; and
- (iii) the Company has guaranteed certain of the Group's bank loans up to HK\$738,677,000 (2012: HK\$801,426,000) as at the end of the reporting period.

At 31 December 2013, the Group's short term loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying amount of approximately HK\$871,644,000 (2012: HK\$502,153,000), and are revolving on a daily and bi-daily basis.

**27. AMOUNT DUE TO A DIRECTOR**

The amount due to a director was unsecured, interest-free and not repayable within one year.

**28. DEFERRED TAX LIABILITIES**

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

Group

	<b>Depreciation allowance in excess of related depreciation HK\$'000</b>	<b>Revaluation of properties HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2013	11,282	561,680	34,046	607,008
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year (Note 10)	1,790	60,663	–	62,453
Exchange realignment	–	21,677	–	21,677
At 31 December 2013	<u>13,072</u>	<u>644,020</u>	<u>34,046</u>	<u>691,138</u>
At 1 January 2012	9,470	572,410	34,046	615,926
Deferred tax charged/(credited) to the statement of profit or loss and other comprehensive income during the year (Note 10)	1,812	(21,393)	–	(19,581)
Exchange realignment	–	10,663	–	10,663
At 31 December 2012	<u>11,282</u>	<u>561,680</u>	<u>34,046</u>	<u>607,008</u>

The Group has tax losses arising in Hong Kong of approximately HK\$218,875,000 (2012: HK\$190,851,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses 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 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 Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2013, there was no significant unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

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

**29. SHARE CAPITAL**

Shares

	Number of shares		Value	
	2013	2012	2013 HK\$'000	2012 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	50,000,000,000	<u>500,000</u>	500,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>4,180,371,092</u>	4,180,371,092	<u>41,804</u>	41,804

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

**30. SHARE OPTION SCHEME**

The Group's share option scheme (the "2013 Scheme") was adopted pursuant to a resolution passed on 30 May 2013 for the primary purpose of providing incentives to eligible participants. As the previous share option scheme adopted on 27 June 2003 (the "2003 Scheme") would expire on 27 June 2013, during the year ended 31 December 2013, the 2003 Scheme was terminated and the 2013 Scheme was adopted by the Company on 30 May 2013. Similar to the 2003 Scheme, the primary purpose of the 2013 Scheme is to provide incentives to eligible participants.

The 2003 Scheme

The Company operates the 2003 Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the 2003 Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The 2003 Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the 2003 Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2003 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2003 Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

**30. SHARE OPTION SCHEME** *(continued)*

The 2003 Scheme *(continued)*

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2003 Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options under the 2003 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2003 Scheme.

The 2013 Scheme

The Company operates the 2013 Scheme for the purpose of, among others, is to recognise and motivate the contribution of eligible participants to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Eligible participants of the 2013 Scheme include any (full-time or part-time) employee, including, without limitation, any executive and non-executive director or proposed executive and non-executive director of the Group, and any adviser, consultant, agent, contractor, client, customer or supplier of any member of the Group. The 2013 Scheme, unless otherwise cancelled or amended, will remain in force for 10 years from 30 May 2013.

The total number of securities available for issue under the 2013 Scheme is 418,037,109, which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the 2013 Scheme. The maximum number of shares issuable under share options to each eligible participant in the 2013 Scheme within any 12-month period, is limited to 1% of the shares of the Company for the time being in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 business days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the 2013 Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options under the 2013 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2013 Scheme.

**31. 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.

## (b) Company

	<b>Share premium HK\$'000</b>	<b>Contributed surplus HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2012	39,116	802,254	114,386	955,756
Total comprehensive income for the year	–	–	28,336	28,336
Interim 2012 dividend	–	–	(16,721)	(16,721)
Proposed final 2012 dividend	–	–	(27,172)	(27,172)
	<b>39,116</b>	<b>802,254</b>	<b>98,829</b>	<b>940,199</b>
At 31 December 2012 and 1 January 2013	–	–	<b>20,801</b>	<b>20,801</b>
Total comprehensive income for the year	–	–	<b>(20,902)</b>	<b>(20,902)</b>
Interim 2013 dividend	–	–	<b>(29,263)</b>	<b>(29,263)</b>
Proposed final 2013 dividend	–	–	<b>(29,263)</b>	<b>(29,263)</b>
	<b>39,116</b>	<b>802,254</b>	<b>69,465</b>	<b>910,835</b>
At 31 December 2013	<b>39,116</b>	<b>802,254</b>	<b>69,465</b>	<b>910,835</b>

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act of Bermuda, the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

**32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

Reconciliation of profit before tax to net cash (outflow)/inflow from operating activities:

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Profit before tax	<b>985,763</b>	627,166
Adjustments for:		
Finance costs	<b>23,087</b>	13,912
Fair value gains on investment properties	<b>(855,188)</b>	(433,032)
Interest income	<b>(23,873)</b>	(27,620)
Dividend income from listed investments	<b>(25,608)</b>	(8,517)
Depreciation	<b>3,433</b>	2,607
Recognition of prepaid land lease payments	<b>9</b>	9
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	<b>45,948</b>	(39,090)
Available-for-sale investments (transfer from equity on disposal)	<b>(737)</b>	(619)
Impairment of trade receivables	<b>3</b>	3
Impairment loss recognised in respect of property, plant and equipment	<b>–</b>	13,210
Gain on disposal of items of property, plant and equipment	<b>(3,299)</b>	(2,904)
Loss on disposal of investment properties	<b>221</b>	1,126
PRC indirect taxes	<b>88,825</b>	39,168
	<b>238,584</b>	185,419
(Increase)/decrease in trade receivables	<b>(1,066)</b>	742
(Increase)/decrease in prepayments, deposits and other receivables	<b>(48,169)</b>	17,806
(Increase)/decrease in equity investments		
at fair value through profit or loss	<b>(458,821)</b>	15,492
Increase/(decrease) in trade payables	<b>2,051</b>	(811)
Increase/(decrease) in other payables and accruals	<b>41,697</b>	(1,578)
Increase in deposits received	<b>2,147</b>	3,182
Cash (used in)/generated from operations	<b>(223,577)</b>	220,252
Interest received	<b>21,642</b>	25,032
Dividend received from listed investments	<b>25,597</b>	8,517
Hong Kong profits tax paid	<b>(2,729)</b>	(1,928)
PRC taxes paid	<b>(124,081)</b>	(43,678)
Net cash flows (used in)/from operating activities	<b>(303,148)</b>	208,195

**33. CORPORATE GUARANTEES**

At 31 December 2013, the Company has given corporate guarantees in favour of banks for banking facilities to its subsidiaries to the extent of approximately HK\$738,677,000 (2012: HK\$801,426,000), of which approximately HK\$614,855,000 (2012: HK\$512,614,000) was utilised.

In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

**34. OPERATING LEASE ARRANGEMENTS**

## (a) As lessor

The Group leases its investment properties and properties held for sale (Notes 16 and 19 to the financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of these leases generally require the tenants to pay security deposits.

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>122,101</b>	139,640
In the second to fifth years, inclusive	<b>52,148</b>	60,232
	<b>174,249</b>	199,872

## (b) As lessee

The Group leases its office premise under operating lease arrangements. Lease for such property is negotiated for a term of three years.

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>273</b>	263
In the second to fifth years, inclusive	<b>250</b>	504
	<b>523</b>	767

**35. RELATED PARTY TRANSACTIONS**

Compensation to key management personnel of the Group:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>6,307</b>	6,188
Post-employment benefits	<b>88</b>	77
Total compensation paid to key management personnel	<b>6,395</b>	6,265

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.



**36. FINANCIAL INSTRUMENTS BY CATEGORY**

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

**2013**

**Financial assets**

	<b>Group</b>			<b>Total HK\$'000</b>
	<b>Financial assets at fair value through profit or loss – held for trading HK\$'000</b>	<b>Loans and receivables HK\$'000</b>	<b>Available- for-sale financial assets HK\$'000</b>	
Available-for-sale investments	–	–	268,310	268,310
Trade receivables	–	8,207	–	8,207
Financial assets included in prepayments, deposits and other receivables	–	47,614	–	47,614
Equity investments at fair value through profit or loss	623,993	–	–	623,993
Pledged deposits	–	10,888	–	10,888
Cash and cash equivalents	–	181,624	–	181,624
	<u>623,993</u>	<u>248,333</u>	<u>268,310</u>	<u>1,140,636</u>

**Financial liabilities**

	<b>Financial liabilities at amortised cost HK\$'000</b>
Trade payables	2,656
Financial liabilities included in other payables and accruals	178,065
Deposits received	57,752
Interest-bearing bank and other borrowings	1,254,209
Amount due to a director	1,498
	<u>1,494,180</u>

**36. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

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

2012

Financial assets

	Group			Total HK\$'000
	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	
Available-for-sale investments	–	–	270,052	270,052
Trade receivables	–	7,144	–	7,144
Financial assets included in prepayments, deposits and other receivables	–	984	–	984
Equity investments at fair value through profit or loss	211,120	–	–	211,120
Pledged deposits	–	77,536	–	77,536
Cash and cash equivalents	–	206,874	–	206,874
	<u>211,120</u>	<u>292,538</u>	<u>270,052</u>	<u>773,710</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Trade payables	605
Financial liabilities included in other payables and accruals	135,636
Deposits received	55,605
Interest-bearing bank and other borrowings	922,023
Amount due to a director	2,454
	<u>1,116,323</u>

**36. FINANCIAL INSTRUMENTS BY CATEGORY** (continued)

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

## Financial assets

	<b>Company</b>	
	<b>2013</b>	2012
	<b>Loans and receivables</b>	Loans and receivables
	<b>HK\$'000</b>	HK\$'000
Amounts due from subsidiaries	<b>399,056</b>	378,056
Cash and cash equivalents	<b>105</b>	171
	<b>399,161</b>	378,227

## Financial liabilities

	<b>2013</b>	2012
	<b>Financial liabilities at amortised cost</b>	Financial liabilities at amortised cost
	<b>HK\$'000</b>	HK\$'000
Amounts due to subsidiaries	<b>74,635</b>	26,272
Financial liabilities included in other payables and accruals	<b>38</b>	33
	<b>74,673</b>	26,305

**37. FAIR VALUE AND FAIR VALUE HIERARCHY**

The fair values of cash and cash equivalents, the pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, other deposits, are not materially different from their carrying amounts because of the immediate or the short term maturities of these instruments. The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:*

**Group**

**At 31 December 2013**

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments:				
Debt investments	264,521	–	–	264,521
Equity investments at fair value through profit or loss	623,993	–	–	623,993
	<b>888,514</b>	<b>–</b>	<b>–</b>	<b>888,514</b>

At 31 December 2012

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale investments:				
Debt investments	266,263	–	–	266,263
Equity investments at fair value through profit or loss	211,120	–	–	211,120
	<b>477,383</b>	<b>–</b>	<b>–</b>	<b>477,383</b>

The Company did not have any financial assets measured at fair value at 31 December 2013 and 31 December 2012.

**37. FAIR VALUE AND FAIR VALUE HIERARCHY** *(continued)*

Fair value hierarchy *(continued)*

*Liabilities measured at fair value:*

The Group and the Company did not have any financial liabilities measured at fair value at 31 December 2013 and 31 December 2012.

During the year ended 31 December 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2012: Nil).

**38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, available-for-sale investments, equity investments at fair value through profit or loss, and cash and bank balances. 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 interest-bearing bank and other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing bank borrowings. As the Group does not expect to significantly increase its level of interest-bearing bank borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

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

	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in profit before tax HK\$'000</b>	<b>Increase/ (decrease) in equity* HK\$'000</b>
<b>2013</b>			
Hong Kong dollar	<b>50</b>	<b>(91)</b>	–
United States dollar	<b>50</b>	<b>(6)</b>	–
Hong Kong dollar	<b>(50)</b>	<b>91</b>	–
United States dollar	<b>(50)</b>	<b>6</b>	–
<b>2012</b>			
Hong Kong dollar	50	(72)	–
United States dollar	50	(11)	–
Hong Kong dollar	(50)	72	–
United States dollar	(50)	11	–

\* Excluding retained profits

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

## Foreign currency risk

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments, certain cash and cash equivalents and certain other loans in currencies other than the functional currency of Hong Kong dollars.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in Renminbi and United States dollar exchange rates, 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) and the Group's equity.

**Group**

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<b>2013</b>			
If Hong Kong dollar weakens against Renminbi	(5)	4,471	641
If Hong Kong dollar strengthens against Renminbi	5	(4,471)	(641)
If Hong Kong dollar weakens against United States dollar	(5)	3,421	12,099
If Hong Kong dollar strengthens against United States dollar	5	(3,421)	(12,099)
<b>2012</b>			
If Hong Kong dollar weakens against Renminbi	(5)	6,018	624
If Hong Kong dollar strengthens against Renminbi	5	(6,018)	(624)
If Hong Kong dollar weakens against United States dollar	(5)	4,606	12,878
If Hong Kong dollar strengthens against United States dollar	5	(4,606)	(12,878)

\* Excluding retained profits

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

## Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale investments, 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 Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 33 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customers bases of the Group's trade receivables are widely dispersed in different sectors and industries.

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.

## Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of interest-bearing bank and other borrowings and ensures compliance with relevant covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

**Group**

	2013				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	1,314,338	–	–	–	1,314,338
Trade payables	2,656	–	–	–	2,656
Other payables and accruals	178,065	–	–	–	178,065
Deposits received	57,752	–	–	–	57,752
Amount due to a director	–	–	1,498	–	1,498
	<u>1,552,811</u>	<u>–</u>	<u>1,498</u>	<u>–</u>	<u>1,554,309</u>



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

Liquidity risk (continued)

Group

	2012				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	986,542	–	–	–	986,542
Trade payables	605	–	–	–	605
Other payables and accruals	135,636	–	–	–	135,636
Deposits received	55,605	–	–	–	55,605
Amount due to a director	–	–	2,454	–	2,454
	<u>1,178,388</u>	<u>–</u>	<u>2,454</u>	<u>–</u>	<u>1,180,842</u>

For the purpose of managing liquidity risk, the management reviews the expected undiscounted cash flow information of the Group's interest-bearing bank and other borrowings based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

Group

	2013				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>507,957</u>	<u>111,411</u>	<u>92,664</u>	<u>602,306</u>	<u>1,314,338</u>

  

	2012				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>199,117</u>	<u>83,256</u>	<u>365,214</u>	<u>338,955</u>	<u>986,542</u>

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

## Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss (note 22) at 31 December 2013. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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:

	<b>31 December 2013</b>	<b>High/low 2013</b>	31 December 2012	High/low 2012
Hong Kong – Hang Seng Index	<b>23,306</b>	<b>24,038/19,813</b>	22,657	22,667/18,186

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 and other comprehensive income.

**Group**

	<b>Carrying amount of equity investments HK\$'000</b>	<b>Increase/ (decrease) in profit before tax HK\$'000</b>	<b>Increase/ (decrease) in equity* HK\$'000</b>
<b>2013</b>			
Investments listed in Hong Kong and overseas	<b>623,993</b>	<b>62,399/ (62,399)</b>	–
– Held for trading			–
<b>2012</b>			
Investments listed in Hong Kong and overseas	211,120	21,112/ (21,112)	–
– Held for trading			–

\* Excluding retained profits

**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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank and other borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

**Group**

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest-bearing bank and other borrowings	<u><u>1,254,209</u></u>	<u><u>922,023</u></u>
Equity attributable to owners of the Company	<u><u>4,445,914</u></u>	<u><u>3,638,061</u></u>
Debt-to-equity ratio	<u><u>28.21%</u></u>	<u><u>25.34%</u></u>

**39. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current year's presentation.

**40. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

## PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
<b>Hong Kong</b>						
1	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong	Residential	100%	1,833	1,833	Up to 30 June 2047
2	Flat B on 7th Floor, Rose Mansion, No. 1 Prat Avenue, Kowloon, Hong Kong	Residential	100%	890	890	150 years from 25 December 1898
3	Multifield Centre, No. 426 Shanghai Street, Kowloon, Hong Kong	Commercial	100%	46,351	46,351	150 years from 25 December 1887
4	Ground Floor, 1st to 3rd, 5th Floors, Air-conditioning Plant Room on 6th Floor, Office Unit 01 on 7th Floor (including exclusive lavatory), Office Units 01 to 03 and 05 to 10 on 20th and 21st Floors and the roof, Multifield Plaza, No. 3 Prat Avenue, Kowloon, Hong Kong	Commercial	100%	61,269	61,269	150 years from 25 December 1898 and 24 June 1889 respectively
5	Multifield House, No. 54 Wong Chuk Hang Road, Hong Kong	Industrial	100%	62,992	62,992	75 years from 10 May 1965 renewable for a further term of 75 years
6	Shop No. 2 on Ground Floor, Goldfield Building, Nos.42, 43 and 44 Connaught Road West and Nos.200 and 202 Wing Lok Street, Hong Kong	Commercial	62.53%	1,300	813	999 years from 25 June 1871 and 9 April 1901 respectively
7	Flat B on 9th Floor of Tower 5 and Private Cars Car Park No. 53 on Car Park Level 3, Residence Bel-Air of Island South, No. 28 Bel-Air Avenue, Hong Kong	Residential/ Car Park	100%	1,682	1,682	50 years from 22 May 2000

## PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
8	Flat B on 30th Floor of Tower 6 and Private Cars Car Park No. 58 on Car Park Level 2, Bel-Air on the Peak of Island South, No. 68 Bel-Air Peak Avenue, Hong Kong	Residential/ Car Park	100%	913	913	50 years from 22 May 2000
9	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, No. 9 Chi Fu Road, Hong Kong	Residential	64.06%	518	332	75 years from 19 October 1976 renewable for a further term of 75 years
10	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, No. 14 Chi Fu Road, Hong Kong	Residential	64.06%	518	332	75 years from 19 October 1976 renewable for a further term of 75 years
11	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, No. 12 Chi Fu Road, Hong Kong	Residential	64.06%	518	332	75 years from 19 October 1976 renewable for a further term of 75 years
12	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,438	11,438	A term from 17 December 1991 to 30 June 2047
13	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 19th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	64.06%	11,439	7,328	A term from 17 December 1991 to 30 June 2047
14	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 25th Floor, Pacific Link Tower, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	62.53%	11,438	7,152	A term from 17 December 1991 to 30 June 2047

## PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
15	Car Parking Space (Private Carpark) No. P101 on 1st Floor and Nos. P201 and P202 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	64.06%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
16	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
17	Multi-storey Lorry Park of Ground Floor to Lower Ground 5 (G/F to LG1-5/F (Inclusive)), Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Car Park	62.53%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
18	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor, Tower 2, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	2,423	2,423	A term from 25 January 1995 to 30 June 2047
19	Flat A (Including the Balcony thereof) on the 12th Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	64.06%	1,317	844	A term from 25 January 1995 to 30 June 2047
20	Flat A (Including the Balcony thereof) on the 21st Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	100%	1,317	1,317	A term from 25 January 1995 to 30 June 2047
21	Flat B (Including the Balcony thereof) on the 21st Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Residential	62.53%	1,315	822	A term from 25 January 1995 to 30 June 2047
22	Car Parking Space No. 1071 on 1st Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Hong Kong	Car Park	100%	N/A	N/A	A term from 25 January 1995 to 30 June 2047

## PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
23	Whole of 4th, 5th, 8th and 9th Floors, Units B1 and B2 on 14th Floor and Car Parking Spaces Nos. 1-4 and 10-21, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial/ Car Park	100%	81,720	81,720	75 years from 23 March 1970 renewable for a further term of 75 years
24	Units B1 and B2 on 2nd Floor, Blue Box Factory Building, No. 25 (Formerly No. 15) Hing Wo Street, Hong Kong	Industrial	64.06%	9,080	5,817	75 years from 23 March 1970 renewable for a further term of 75 years
<b>The PRC</b>						
25	Levels 1 and 2, Block B, Versailles de Shanghai, No. 1, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	Commercial	63.20%	6,276	3,966	A term from 26 February 1997 to 7 October 2062
26	Windsor Park, No. 2279 Hongqiao Road, Changning District, Shanghai, The PRC	Hotel Serviced Houses	46.62%	178,956	83,429	A term from 21 November 2000 to 7 November 2062
27	Windsor Court, No. 2290 Hongqiao Road, Changning District, Shanghai, The PRC	Hotel Serviced Apartment	100%	199,905	199,905	A term from 5 April 1997 to 7 November 2062
28	Windsor Place, Lane 2222 Jianhe Road, Changning District, Shanghai, The PRC	Hotel Serviced Houses	62.53%	448,758	280,608	A term from 23 June 1997 to 22 June 2067
29	The land located at North of Gangqian Road/ West of Santaishi Road, Qianshan, Zhuhai City, Guangdong Province, The PRC (Site Area: Approx. 396,210 sq.ft)	Commercial	100%	*475,451	*475,451	Up to 1 January 2044

## PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
30	The land located at West of Nanzhufeng Main Road, Jianfeng, Jingan Town, Doumen District, Zhuhai City, Guangdong Province, The PRC (Site Area: Approx. 1,013,009 sq.ft)	Commercial	100%	*1,215,611	*1,215,611	From 29 December 2007 to 29 December 2047 and 2057 respectively
31	Unit 1604, Block 2, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Jida, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,080	2,080	A term from 30 November 1997 to 30 November 2067
32	Unit 2701, Block 3, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Jida, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,847	2,847	A term from 30 November 1997 to 30 November 2067
33	Car Parking Space Nos. Y201, Y211 and Y212, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Jida, Zhuhai City, Guangdong Province, The PRC	Car Park	100%	N/A	N/A	A term from 30 November 1997 to 30 November 2067
34	House No. 97, (Hua Fa Shi Ji Cheng) No. 376 Changsheng Road, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,794	2,794	Up to 7 January 2075
35	House No. 98, (Hua Fa Shi Ji Cheng) No. 376 Changsheng Road, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,796	2,796	Up to 7 January 2075



## PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft.)	Gross Floor Area attributable to the Group (Approx. sq.ft.)	Lease Term
36	House No. 100, (Hua Fa Shi Ji Cheng) No. 376 Changsheng Road, Zhuhai City, Guangdong Province, the PRC	Residential	100%	2,823	2,823	Up to 7 January 2075
37	No. 17, Lane 1, No. 1218 Zhu Feng Main Road, Jingan Town, Doumen District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	3,410	3,410	A term from 18 April 2004 to 18 April 2074
38	Unit 402, Block 20, No. 8 Shan Hu Hai Road, Xihucheng District, Jinwan District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,144	2,144	A term from 10 October 2007 to 9 October 2077
39	Unit 302, Block 20, No. 8 Shan Hu Hai Road, Xihucheng District, Jinwan District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,144	2,144	A term from 10 October 2007 to 9 October 2077
40	Units A to F on Level 16, Tower II, Innotect Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC	Residential	100%	8,620	8,620	A term from 25 May 1992 to 24 May 2062
41	Unit No. 7-10-I on Level 10 of Block No. 7, No. 68 Xinzhong Street, Dongcheng District, Beijing, The PRC	Residential	64.06%	1,132	725	Up to 1 November 2063

*Notes:*

N/A – Not Applicable

\* – Buildable Gross Floor Area